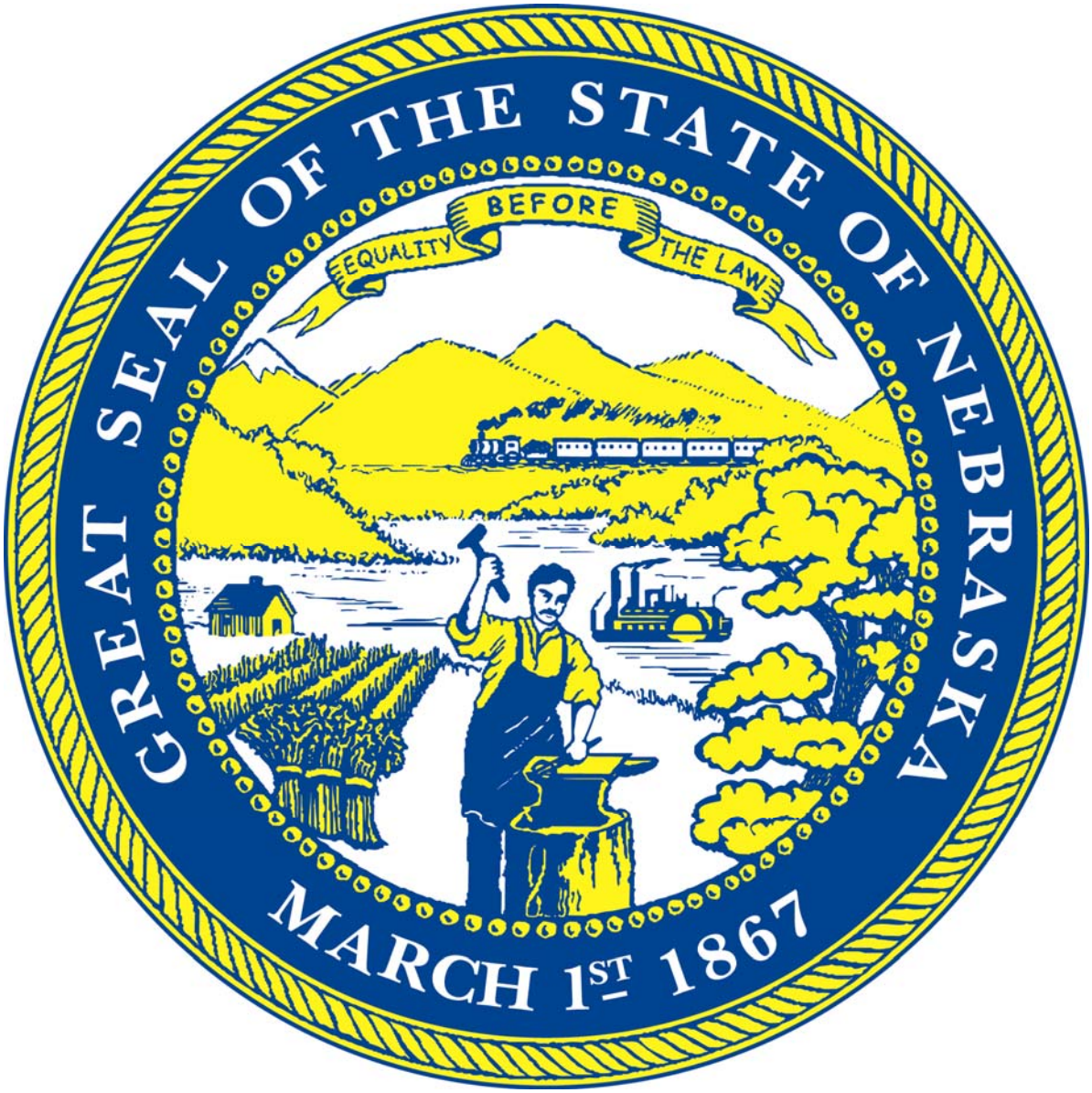
State of Nebraska

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008



State of Nebraska

Comprehensive Annual Financial Report

Year Ended June 30, 2008

Dave Heineman
Governor

Administrative Services

Carlos Castillo, Jr.
Director

Paul Carlson
State Accounting Administrator

State of Nebraska

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

TABLE OF CONTENTS

INTRODUCTORY SECTION Page

Selected State Officials 4
Transmittal Letter from Administrative Services 5
Organization Chart 10
Certificate of Achievement 11

FINANCIAL SECTION

Independent Auditors' Report 14
Management's Discussion and Analysis 16
Basic Financial Statements
- Government-wide Financial Statements
  - Statement of Net Assets 33
  - Statement of Activities 34
- Fund Financial Statements
  - Balance Sheet – Governmental Funds 36
  - Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets 37
  - Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds 38
  - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities 39
  - Statement of Net Assets – Proprietary Funds 40
  - Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 41
  - Statement of Cash Flows – Proprietary Funds 42
  - Statement of Fiduciary Net Assets – Fiduciary Funds 44
  - Statement of Changes in Fiduciary Net Assets – Fiduciary Funds 45
  - Statement of Net Assets – Component Units 46
  - Statement of Activities – Component Units 47
- Notes to the Financial Statements
  - Summary of Significant Accounting Policies 48
  - Deposits and Investments Portfolio 53
  - Capital Assets 56
  - Interfund Balances 57
  - Accounts Payable and Accrued Liabilities 58
  - Noncurrent Liabilities 58
  - Bonds Payable 58
  - Lease Commitments 59
  - Obligations Under Other Financing Arrangements 60
  - Receivables 60
  - Pension Plans 61
  - Contingencies and Commitments 63
  - Risk Management 64
  - Subsequent Event 64

Required Supplementary Information
- Budgetary Comparison Schedule – General Fund 66
- Budgetary Comparison Schedule – Cash Funds 67
- Budgetary Comparison Schedule – Construction Funds 68
- Budgetary Comparison Schedule – Federal Funds 69
- Budgetary Comparison Schedule – Revolving Funds 70
- Notes to Required Supplementary Information 71
- Information about Infrastructure Assets Reported using the Modified Approach 72

TABLE OF CONTENTS (Continued)

FINANCIAL SECTION (Continued)
Combining Financial Statements
Nonmajor Governmental Funds
Combining Balance Sheet – Nonmajor Governmental Funds 76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 77
Combining Balance Sheet – Nonmajor Special Revenue Funds 78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds 80
Combining Balance Sheet – Nonmajor Permanent Funds 82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Permanent Funds 83
Nonmajor Enterprise Funds
Combining Statement of Net Assets – Nonmajor Enterprise Funds 86
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds 87
Combining Statement of Cash Flows – Nonmajor Enterprise Funds 88
Internal Service Funds
Combining Statement of Net Assets – Internal Service Funds 90
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds 92
Combining Statement of Cash Flows – Internal Service Funds 94
Fiduciary Funds
Combining Statement of Fiduciary Net Assets – Pension Trust Funds 98
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds 100
Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds 102
Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds 103
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds 104
Combining Statement of Changes in Assets and Liabilities – Agency Funds 105

STATISTICAL SECTION
Table of Contents 108
Financial Trends Information 109
Revenue Capacity Information 116
Debt Capacity Information 119
Demographic and Economic Information 120
Operating Information 123

Miscellaneous Data 126

INTRODUCTORY SECTION

State of Nebraska

SELECTED STATE OFFICIALS

As of June 30, 2008

EXECUTIVE

Dave Heineman
Governor

Rick Sheehy
Lieutenant Governor

Jon Bruning
Attorney General

Mike Foley
Auditor of Public Accounts

John A. Gale
Secretary of State

Shane Osborn
State Treasurer

JUDICIAL

Supreme Court of Nebraska
Michael G. Heavican, Chief Justice
William M. Connolly, Justice
John M. Gerrard, Justice
Michael McCormack, Justice
Lindsey Miller-Lerman, Justice
Kenneth C. Stephan, Justice
John F. Wright, Justice

LEGISLATIVE

Mike Flood
Speaker of the Legislature
Nebraska Unicameral (49 Senators)

NEBRASKA
AdministrativeServices
Dave Heineman, Governor

Carlos Castillo, Jr.
Director

December 24, 2008

The Honorable Dave Heineman, Governor
Members of the Legislature
Citizens of the State of Nebraska

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska (the "State") for the fiscal year ended June 30, 2008. This report is the primary means of reporting the State government's financial activities. The State of Nebraska's financial statements have been audited by the State of Nebraska Auditor of Public Accounts. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. The CAFR has been prepared in conformance with Governmental Accounting Standards Board (GASB) statements 34 and 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

The independent audit of the financial statements of the State was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the State's separately issued Single Audit Report.

The CAFR is presented in three sections. (1) The Introductory Section contains this letter of transmittal and some information about the State and its operations. (2) The Financial Section contains Management's Discussion and Analysis, Government Wide Financial Statements, Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Combining Statements for Major Component Units. The Financial Section also includes the Notes to the Financial Statements, Required Supplementary Information and various combining statements. (3) The Statistical Section contains selected financial and demographic information, generally presented on a multi-year basis.

The CAFR consists of management's representations concerning the finances of the State of Nebraska. The State Accounting Division of Administrative Services assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP for governments. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The State was admitted to the Union as the thirty-seventh state in 1867. Nebraska's government is divided into three branches: legislative, executive and judicial. Nebraska is the only state with a Unicameral Legislature, which has 49 non-partisan members. The chief executive is the governor, who is elected for a four-year term. Within the executive branch are various departments and agencies that perform a variety of functions. Since Nebraska's Constitution generally allows no indebtedness, government expenses of such departments and agencies must be met on a pay-as-you-go basis. The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. An organizational chart of the State is shown on page 10.

The State reporting entity reflected in this CAFR is described more fully in Note 1.B. to the financial statements. It should be noted that the reporting entity includes the familiar government activities plus two component units, the University of Nebraska and the State College System.

Budgetary control of state expenditures is maintained chiefly by three processes. First, a budget is required to be adopted through passage of appropriation bills by the Legislature. Second, the appropriated funds are allocated by program and fund type and are controlled by the executive branch through an allotment process. The Legislature may also enact a supplemental appropriation bill and other appropriation bills as it deems necessary. Finally, the State's accounting system checks each expenditure to ensure the appropriation is not exceeded.

Budget-to-actual comparisons are provided in this CAFR for various categories of General Fund revenues and appropriated annual budgets. This comparison is presented on page 66 as part of the Required Supplementary Information to the basic financial statements for the governmental funds. Budget-to-actual comparisons for Cash Funds, Construction Funds, Federal Funds, and Revolving Funds are also presented as Required Supplementary Information on pages 67 through 70.

FACTORS AFFECTING FINANCIAL CONDITION

In order to better understand the information presented in the basic financial statements, such information should be considered from the broader perspective of the specific environment within which the State operates.

Current Revenue Outlook

The General Fund operations of the State are almost entirely dependent upon the income and sales taxes the State receives each year. Such taxes represent over 92 percent of all General Fund revenues. Net revenue from income taxes and sales taxes from all funds for the fiscal year ended June 30, 2008 increased $110 million over the prior year, due to the steady growth in Nebraska in all areas: jobs, income and revenue. In finalizing the biennium budget for the fiscal years ending June 30, 2008 and June 30, 2009, the Legislature, as required by the State Constitution, balanced the budget.

For the fiscal year ending June 30, 2008, the State's General Fund ended the fiscal year with a cash and investments balance that exceeded one billion dollars for the second year in a row, at $1.139 billion.

The current forecast for fiscal year 2009 anticipates net receipts in the General Fund to increase only about $50 million, or approximately a 1.5% increase over fiscal year 2008. No significant changes in revenue are anticipated in the other funds.

Economy of the State

The Bureau of Business Research of the University of Nebraska-Lincoln and the Nebraska Business Forecast Council are cautious on forecasting Nebraska's economic future and have not yet published any comments following the current recession and the market freefall in the national economy. However, they did publish a forecast in June, 2008 as shown on the following chart. A reading of the displayed forecasts must be read with the understanding that the year-end forecast yet to be published will not show as strong a forecast for 2008-2010. In 2008 the Nebraska farm economy was strong as was the related agriculture manufacturing. How the agriculture market will fare in 2009 is not highly predictable, but it appears 2009 will not be as robust. The national housing market crisis has not affected Nebraska as much as it did nationally. We do know that many of Nebraska's citizens have had their savings and retirement portfolios greatly diminished, following the national trend. Nebraska likely will achieve no better than an average year in 2009. There may even be some job losses. At best, we can only state the immediate future of Nebraska's economy is an unknown, but will, as it has in the past, likely not suffer as much of a decline in its economy as will befall the national economy.

	2005	2006	2007	2008	2009	2010
Nonfarm Employment:						
Annual Totals	934,900	946,800	962,600	973,900	988,300	1,005,300
Growth Rates	1.4%	1.3%	1.7%	1.2%	1.5%	1.7%
Nonfarm Personal Income:						
Annual Totals (in millions $)	56,131	59,648	63,091	66,188	69,347	72,650
Growth Rates	4.8%	6.3%	5.8%	4.9%	4.8%	4.8%
Net Taxable Retail Sales Growth Rates:						
Total	3.5%	2.2%	5.0%	2.7%	3.6%	4.6%
Motor Vehicle Sales	-4.6%	-3.3%	9.1%	5.0%	3.2%	0.3%
Non-motor Vehicles Sales	4.6%	2.9%	4.6%	2.4%	3.6%	5.1%

Long-term Financial Planning

The State always is looking at least four years out in its analysis of the status of the financial condition of the State in preparing the State's budgets. Currently, we have a working model of the biennium budget for fiscal years 2010 and 2011. In our analysis, we use forecasting models to forecast revenue and then examine major expenditures, especially those that have a trend of outpacing revenues. Future General Fund revenues for 2010 and 2011 are projected to annually increase only 1.4% and 3.3%, respectively. This slow growth is compounded by the fact that the Legislature recently passed the largest tax relief package in the history of the State, which reduced the 2008 fund balance by $105 million and a like amount will reduce the 2009 fund balance. Should this property tax relief continue past 2009 into 2010 and beyond, the General Fund will be greatly affected. This low percentage income growth will not be enough to counter the future estimates of increasing school aid, Medicaid and public assistance. Since these expenditures comprise about half of the General Fund expenditures, this puts tremendous pressure to keep all other costs of running the State to a flat or declining mode in order to provide a mandated balanced budget. To ensure we do have a balanced budget, the State exerts considerable time and effort in reviewing the trends of future revenues and expenditures.

Major Initiatives

One of the Governor's four priorities is economic vitality. To help boost Nebraska's economy, he continues to work towards obtaining foreign trade agreements for Nebraska wheat, soybeans, corn, dry beans, pork and beef. In 2007 he opened Nebraska's first international trade office abroad with the opening of the Nebraska Center in Tokyo, Japan.

Another priority of his is gaining efficiency in government. The Legislature in 2007 enacted a bill making the Department of Health and Human Services a more efficient and effective agency. All agencies are also examining ways to reduce costs in order to ease the upcoming budget "squeeze" as described in the previous section.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2007. This was the seventeenth consecutive year that the State has received this prestigious award. In order to be awarded a Certificate of Achievement, the State published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

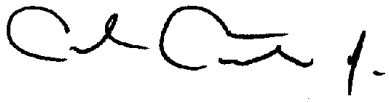
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report continues our commitment to comprehensive disclosure of the State's financial condition. We are committed to issuing reports that are informative and meet governmental accounting standards. Reports that meet these standards provide the reader with an opportunity to make more informed judgments about the government's financial position and results of operations.

The 2008 CAFR represents the continuous effort on our part to fulfill this commitment. We wish to express our appreciation to the accounting staff of the State Accounting Division of Administrative Services and the budget and accounting staff throughout State government for their assistance in the preparation of this report.

Questions or requests for additional information related to this report can be directed to the State Accounting office at (402) 471-2581.

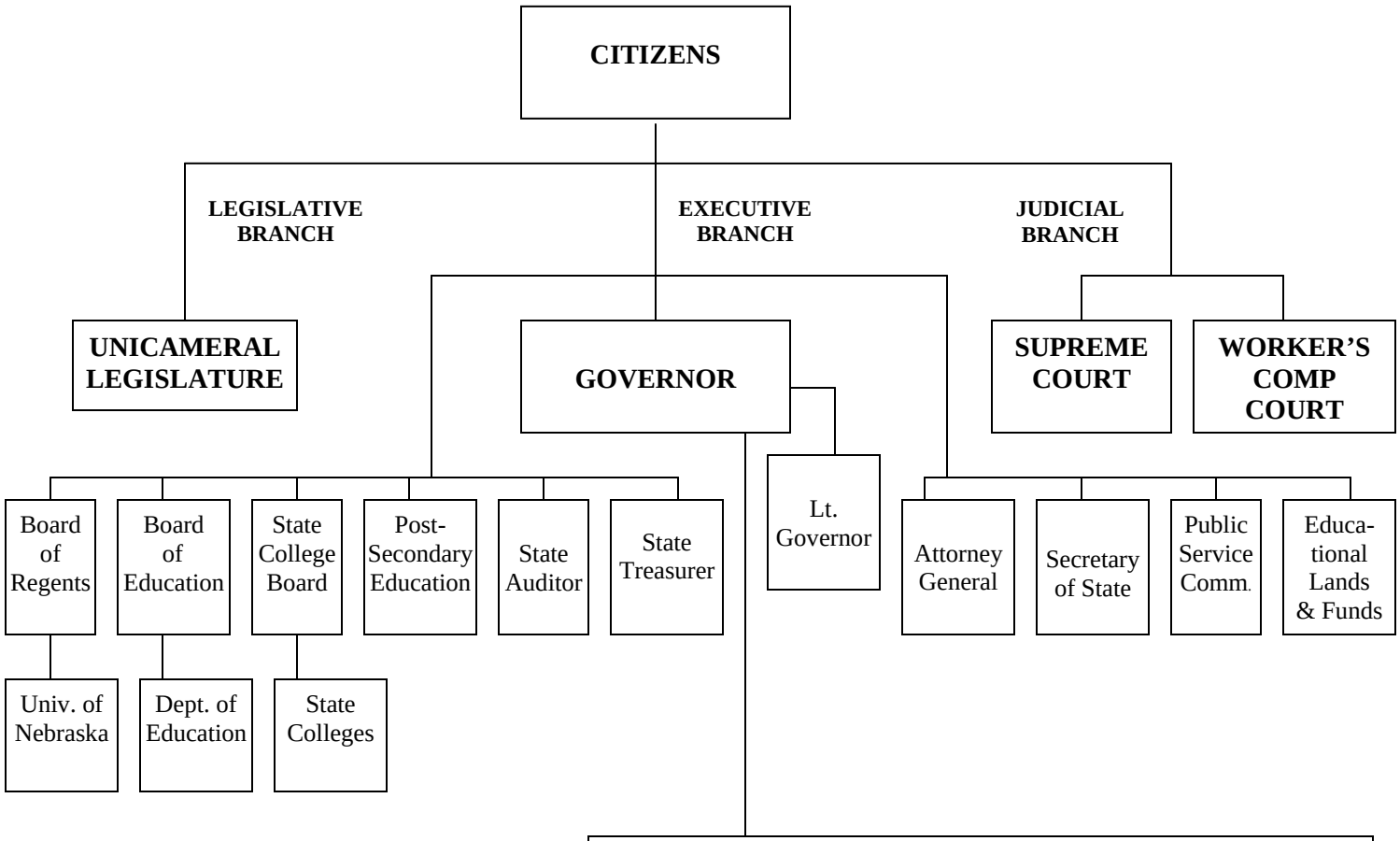
Respectfully submitted,



Carlos Castillo, Jr.
Director, Administrative Services

Paul Carlson
State Accounting Administrator

Nebraska State Government Organization Chart



ADMINISTRATIVE SERVICES

- State Accounting
- State Budget
- State Building
- Office of the CIO
- Transportation Services
- Employee Relations
- Materiel
- NIS
- State Personnel
- Risk Management
- Task Force

ADMINISTRATIVE AGENCIES
(agency heads appointed by Governor)

- Administrative Services
- Aeronautics
- Agriculture
- Banking & Finance
- Correctional Services
- Economic Development
- Environmental Quality
- Fire Marshal
- Health and Human Services
- Insurance
- Labor
- Law Enforcement & Criminal Justice Commission
- Military
- Motor Vehicles
- Natural Resources
- Parole Board
- Revenue
- Roads
- State Patrol
- Tax Equalization & Review Commission
- Veterans Affairs

INDEPENDENT AGENCIES, BOARDS AND COMMISSIONS
(agency heads not appointed by Governor)

- Abstracters Board of Examiners
- Accountability & Disclosure
- Arts Council
- Barber Examiners Board
- Blind & Visually Impaired Commission
- Board of Examiners for Land Surveyors
- Board of Geologists
- Board of Landscape Architects
- Brand Committee
- Commission on the Status of Women
- Corn Development, Utilization, & Marketing Board
- Deaf & Hard of Hearing Commission
- Dry Bean Commission
- Electrical Board
- Engineers and Architects Board
- Equal Opportunity Commission
- Educational Telecommunications Commission
- Ethanol Board
- Foster Care Review Board
- Game and Parks Commission
- Grain Sorghum Development, Utilization & Marketing Board
- Historical Society
- Indian Affairs Commission
- Industrial Relations Commission
- Investment Council
- Library Commission
- Liquor Control Commission
- Mexican-American Commission
- Motor Vehicle Industry Licensing Board
- Oil and Gas Conservation Commission
- Power Review Board
- Public Accountancy Board
- Public Advocacy Commission
- Public Employees Retirement Board
- Racing Commission
- Real Estate Appraiser Board
- Real Estate Commission
- Rural Development Commission
- Wheat Development, Utilization, & Marketing Board

Certificate of Achievement for Excellence in Financial Reporting

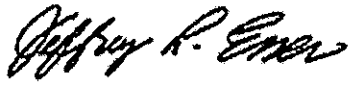
Presented to

State of Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President



Executive Director

GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

FINANCIAL SECTION

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@apa.ne.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Independent Auditors' Report

The Honorable Governor,
Members of the Legislature and
Citizens of the State of Nebraska:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska, as of and for the year ended June 30, 2008, which collectively comprise the State of Nebraska's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nebraska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the College Savings Plan and the NETC Leasing Corporation. The College Savings Plan and the NETC Leasing Corporation represent 15% and 38% of the assets and revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the College Savings Plan and the NETC Leasing Corporation is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the College Savings Plan and the NETC Leasing Corporation were not audited in accordance with *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

printed on recycled paper

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 19, 2008 on our consideration of the State of Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 16 through 29, the Budgetary Comparison Schedules on pages 66 through 71; and the Information About Infrastructure Assets Reported Using the Modified Approach on page 72, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nebraska's basic financial statements. The combining statements within the financial section as listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Don Dunlap

Lincoln, Nebraska
December 19, 2008

Don Dunlap, CPA
Assistant Deputy Auditor

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the State of Nebraska provides the following discussion and analysis of the State of Nebraska's financial performance, as reflected in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. Please read it in conjunction with the additional information furnished in the letter of transmittal at the front of this report, and with the State's basic financial statements, which follow. Numerical years refer to fiscal years with a June 30 year-end, unless otherwise noted.

The State of Nebraska (State) implemented three new standards in 2008 required by the Governmental Accounting Standards Board (GASB): Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which has no material effect on the State's financial statements; Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which had no material effect on the financial statements; and Statement No. 50, *Pension Disclosures*, which only slightly changed the disclosures regarding the retirement plans shown in Footnote 11 to the financial statements.

A comparative analysis of government-wide data for the last two years is presented in this analysis. Additionally, we are presenting an analysis of activity in the State's funds for the fiscal year ended June 30, 2008 along with an analysis of the State's capital assets and long-term debt related to capital assets.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the State exceeded its liabilities at June 30, 2008 by $10.9 billion (presented as "net assets" in the CAFR). The majority of the net assets are represented by the investment in the State's infrastructure and other capital assets, which cannot be used to fund ongoing activities of the State. Of the net assets, unrestricted net assets were reported as $1,126 million, most of which is available to be used to fund future needs of the State. The primary government's net revenues exceeded net expenses for 2008 resulting in an increase in net assets of $338 million. The increase in net assets was only half of the increase the State enjoyed in 2007, due to a $131 million decrease in investment earnings (a result of unrealized market losses) coupled with an increase of expenses, net of revenue, of $310 million, which more than offset the small increase in tax revenues of $95 million.

Fund Level:

General Fund receipts for 2008 were $117 million above the original budgeted amount and above the final budget by $99 million. Expenditures were $220 million less than the original budget. On a Generally Accepted Accounting Principles (GAAP) basis, the General Fund had $128 million in excess revenues prior to a legislatively mandated property tax relief transfer of $105 million and $21 million in other financing uses, resulting in an ending fund balance on June 30, 2008 of $974 million. Other governmental funds expenditures exceeded revenues by $35 million, chiefly due to unrealized market losses; in addition, such other funds received $160 million in other financing sources (namely net transfers in for capital projects) increasing such fund balances at June 30, 2008 to $1,966 million.

The $343 million of net assets of the Unemployment Insurance Fund represents eighty-six percent of the proprietary funds. Such fund had a $23 million increase in net assets for 2008 compared to a $47 million increase in 2007, a $24 million smaller increase. This was due to a $24 million decrease in business

assessment fees collected from employers (due to a lower rate being charged) and a $4 million increase in unemployment claims, offset by a $4 million increase in investment income.

Long-term Liabilities:

Long-term liabilities shown on the government-wide financial statements totaled $492 million at June 30, 2008, which is a slight decrease from the prior year. Most of these liabilities consist of claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, employee health insurance, and Medicaid, in addition to the calculated amount for accrued vacation and vested sick leave due employees when they retire. After a retired employee reaches the age of 65, the State has no further obligation for other post employment benefits, except for a very small number of employees.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State's financial statements. The State's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This CAFR also contains other supplementary information (e.g., budgetary schedules and combining financial statements) in addition to the basic financial statements. These components are described below:

Government-wide Financial Statements

These statements provide a broad view of the State's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the State's financial position. The statements are prepared using the accrual basis of accounting. This means all revenues and expenses related to the fiscal year are recorded in the statements, even if cash has not been received or paid. If taxes are owed to the State but not yet received, such transaction is recorded as an asset (a receivable) and revenue to the State. Likewise, if the State owes for vacation time, but has not yet paid the worker for such vacation earned, then the liability and payroll expense is recorded. The government-wide financial statements include two statements, the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* (page 33) presents all the State's assets and liabilities with the difference between the two reported as "net assets." Changes in net assets over time may indicate the relative health of the State and this statement will assist users in assessing whether or not the State's financial position is improving or deteriorating.

The *Statement of Activities* (pages 34 and 35) presents information showing how the State's net assets changed during the reported year. All changes in net assets are reported as soon as the underlying events giving rise to the changes occur, regardless of the timing of related cash flows, using the accrual basis of accounting discussed earlier.

Both of these statements have separate sections for three different types of State programs or activities. These sections are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental Activities and Business-type Activities are combined to report on what is termed Primary Government activities, which is separate and distinct from the activity of the component units. Fiduciary Funds, which include the Pension Funds, are not included in the Government-wide Financial Statements.

Primary Government

GOVERNMENTAL ACTIVITIES – Activities in this section are mostly supported by taxes and federal grants. All General Fund activity is included here. Governmental activities represent over 96% of all activity of

the primary government. It includes general government; education; health and human services; public safety; transportation; regulatory services; and economic development and assistance.

BUSINESS-TYPE ACTIVITIES – Functions reported in this section include those activities whereby the State charges fees and other charges to external users of the State's services and purchasers of State's goods in order to recover all or a significant portion of the State's operating costs related to these activities, much like a private business. Such activities are unemployment insurance services, lottery tickets, premium surcharges for excess liability coverage, and the sales and services provided by Cornhusker State Industries.

Component Units

DISCRETELY PRESENTED COMPONENT UNITS – These are separate entities for which the State has financial accountability (in which the State provides over one-fourth of their funding) but such organizations have independent qualities as well. The University of Nebraska and the Nebraska State College System are the State's only two discretely presented component units. While presented in this report, each of these two units has separate audited financial statements and such audited reports can be obtained from their respective administrative offices.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

This is the second set of financial statements presented in the CAFR. These statements are different from the government-wide statements in that some of these statements use a different accounting approach and focus on the near-term inflows and outflows of the State's operations. As previously noted, these Statements are commonly referred to as GAAP Fund Statements, as they are prepared in accordance with generally accepted accounting principles. The Fund Financial Statements (which begin on page 36) provide detailed information about the State's major funds. A fund is a method of accounting that uses a set of accounts to maintain accountability and control over specific sources of funding and spending for a particular activity or objective. The State's funds are divided into three categories – Governmental Funds, Proprietary Funds and Fiduciary Funds. It is important to note that each of these three fund categories use different accounting approaches and should be analyzed differently.

Governmental Funds Financial Statements – Most of the basic services provided by the State are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, the Governmental Funds Financial Statements use modified accrual accounting, which limits assets to cash and all other financial assets that can readily be converted into cash. This is different from the governmental activities recorded in the government-wide financial statements that use full accrual accounting. These fund statements provide a detailed short-term view of the State's finances that assist the reader in determining whether or not there will be adequate financial resources to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader can better understand the long-term impact of the State's near-term financing decisions. To aid the reader in such analysis, reconciliations are provided between the Government-wide Financial Statements and the Governmental Funds Financial Statements (see pages 37 and 39).

The State of Nebraska's governmental funds include five major funds: the General Fund, the Highway Fund, the Federal Fund, the Health and Social Services Fund and the Permanent School Fund. Non-major special revenue, capital project and other permanent funds are also included in the governmental funds.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Thus, when the State charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds consist of both Enterprise Funds (services provided to outside customers) and Internal Service Funds (services provided to other State agencies). Proprietary funds utilize accrual accounting, the same method used by private businesses. Therefore, the net assets reported in these statements as Enterprise Funds will be identical to the net assets reported in the net assets for business-type activities in the Government-wide Financial Statements. However, because the Internal Service Funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-wide Financial Statements.

Fiduciary Funds Financial Statements – Whenever the State receives funds on behalf of others, it is acting in a fiduciary capacity or trustee of those funds belonging to others. Thus, assets in these funds are restricted as to use and do not represent discretionary assets that the State could use to finance its operations. They are presented in these statements only for the purpose to indicate that the State has responsibility for these assets. For that reason, such assets are not included in the government-wide financial statements. Fiduciary funds are reported on the accrual basis of accounting.

The State's principal fiduciary fund is the Pension Fund, which contains retirement contributions held by the State for state employees, county employees and public school employees (see Note 11 to the financial statements). There are also Private-Purpose Trust Funds whereby the State has control of unclaimed property and funds held for inmates and clients or wards of the State. The State also has Agency Funds whereby the State holds funds earmarked as aid for other political subdivisions.

Component Units Financial Statements

As mentioned in the discussion of the Government-wide Financial Statements, the State has included the net assets and activities of the University of Nebraska and the Nebraska State College System in a single column of such statements, labeling them as discretely presented component units. We have provided separate, but brief, component unit statements to allow the reader to analyze each of these two units separately.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements. The notes can be found immediately following the component units' financial statements beginning on page 48.

Required Supplementary Information

Following the basic financial statements and the accompanying notes thereto, is additional Required Supplementary Information that further explains and supports the information in such financial statements. The required supplementary information includes budgetary comparison schedules reconciling statutory fund balances used for budgetary purposes to the fund balances determined by GAAP used in the Fund Financial Statements for the General Fund, Cash Funds, Construction Funds, Federal Funds, and Revolving Funds. Other information included is the condition and maintenance data regarding certain aspects of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes the combining statements for non-major governmental, proprietary and fiduciary funds. These funds are summarized by fund type and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the Governmental Fund Financial Statements. Also presented is a statistical section providing State data.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

The State's assets totaled $12,600 million at June 30, 2008 as compared to $12,273 at June 30, 2007. As total liabilities only totaled $1,746 million, net assets amounted to $10,854 million as of June 30, 2008. As of June 30, 2007, these amounts were $1,757 million and $10,516 million, respectively. By far the largest portion of the State of Nebraska's net assets (70 percent) reflects the State's investment in capital assets (e.g., land, buildings, equipment and infrastructure – highways, bridges, dams, etc.). The State uses these capital assets to provide services to citizens; thus, these assets are not available for future spending.

Restricted net assets are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. They also are not available for future general government spending.

For Governmental Activities other than capital assets, the majority of the restricted net assets consist of the Permanent School Trust, the Tobacco Settlement Trust, the Intergovernmental Trust and the loans to political subdivisions for drinking water and clean water projects.

The net assets for business-type activities represents chiefly cash set aside for future unemployment insurance benefits.

STATE OF NEBRASKA
Net Assets as of June 30
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and Other Non-current Assets	$ 4,503	$ 4,363	$ 475	$ 440	$ 4,978	$ 4,803
Capital Assets	7,616	7,464	6	6	7,622	7,470
Total Assets	12,119	11,827	481	446	12,600	12,273
Non-current Liabilities	444	447	48	52	492	499
Other Liabilities	1,219	1,222	35	36	1,254	1,258
Total Liabilities	1,663	1,669	83	88	1,746	1,757
Net assets:						
Invested in Capital Assets, Net of Related Debt	7,588	7,428	6	6	7,594	7,434
Restricted	1,790	1,763	344	321	2,134	2,084
Unrestricted	1,078	967	48	31	1,126	998
Total Net Assets	$ 10,456	$ 10,158	$ 398	$ 358	$ 10,854	$ 10,516

Over 74% of the State's non-capital assets consist of cash and investments. It should be noted that $457 million in 2008 and $512 million in 2007 of such assets represent "Securities Lending Collateral," an amount created by a journal entry required by GASB in order to record a lending transaction. Since the asset is offset by a corresponding equal liability, the net asset is zero and thus the asset cannot be spent. (For more detail, see Note 2 to the financial statements.) Receivables, chiefly from taxes and the federal government, represent 20% of the non-capital assets.

Liabilities largely reflect three groupings which represent 93% of total State liabilities, not including the obligations under securities lending explained in the above paragraph. These are operational payables, which consist of accounts payables and accrued liabilities of $403 million ($344 million in 2007); tax refunds payable of $310 million ($299 million in 2007); and long-term payables explained next.

Since the State's Constitution generally prohibits the State from incurring debt, the Statement of Net Assets presents few long-term liabilities (shown as noncurrent liabilities), which total only $492 million ($499 million in 2007). The majority of such liabilities are for claims payable for workers' compensation, medical excess liability, litigation, unemployment insurance, and employee health insurance totaling $128 million for 2008 ($138 million for 2007), Medicaid claims for $196 million ($192 million in 2007) and the calculated amount for vested sick leave due employees when they retire and accrued vacation of $123 million in 2008 ($118 million for 2007). Other minor amounts of long-term liabilities consist chiefly of capital lease obligations (See Note 8 to the Financial Statements), and bonds payable related to NETC Leasing Corporation and Nebraska State Building Corporation bonds (See Note 7 to the Financial Statements). Both of these entities are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State (See Note 1.B. to the Financial Statements). Such debt related to capital assets totaled $30 million at June 30, 2008. There was also $15 million of obligations under other financing arrangements (See Note 9 to the Financial Statements).

The change in net assets of Governmental Activities, other than an increase of $160 million in capital assets, was due to the $128 million increase in unrestricted net assets and the $50 million increase in restricted net assets. This was the result of a small increase in taxes collected coupled with lower spending than expected which offset the decreased amount of investment income in 2008.

At the end of June 30, 2008, the State is able to report positive balances in all of the three categories of net assets.

Changes in Net Assets

The condensed financial information on the following page was derived from the Government-wide Statement of Activities and reflects how the State's net assets changed during the year. Following that table is management's analysis of the changes in net assets for 2008, analyzing both the governmental activities and the business-type activities.

STATE OF NEBRASKA
CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
REVENUES	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Program Revenues						
Charges for Services	$ 549	$ 516	$ 246	$ 263	$ 795	$ 779
Operating Grants and Contributions	2,235	2,218		-	2,235	2,218
Capital Grants and Contributions	21	8	-	-	21	8
General Revenues						
Taxes	3,966	3,871	-	-	3,966	3,871
Unrestricted Investment Earnings	114	250	23	18	137	268
Miscellaneous	4	1	-	-	4	1
Total Revenues	6,889	6,864	269	281	7,158	7,145
EXPENSES						
General Government	438	355	-	-	438	355
Conservation of Natural Resources	113	119	-	-	113	119
Culture - Recreation	26	27	-	-	26	27
Economic Development and Assistance	85	89	-	-	85	89
Education	1,450	1,369	-	-	1,450	1,369
Higher Education - Colleges and Universities	558	529	-	-	558	529
Health and Social Services	2,744	2,650	-	-	2,744	2,650
Public Safety	373	360	-	-	373	360
Regulation of Business and Professions	131	156	-	-	131	156
Transportation	714	615	-	-	714	615
Interest on Long-term Debt	2	2	-	-	2	2
Unemployment Insurance	-	-	98	94	98	94
Lottery	-	-	92	86	92	86
Excess Liability	-	-	(3)	14	(3)	14
Cornhusker State Industries	-	-	11	11	11	11
Total Expenses	6,634	6,271	198	205	6,832	6,476
Excess (deficiency) Before Transfers and Contributions to Permanent Fund Principal	255	593	71	76	326	669
Transfers	31	29	(31)	(29)	-	-
Contributions to Permanent Fund Principal	12	19	-	-	12	19
Increase (Decrease) in Net Assets	298	641	40	47	338	688
Net Assets - Beginning	10,158	9,517	358	311	10,516	9,828
Net Assets - Ending	$ 10,456	$ 10,158	$ 398	$ 358	$ 10,854	$ 10,516

Governmental Activities

Governmental activities increased the State's net assets by $298 million in 2008 ($641 million in 2007). Furthermore, governmental activities represent 96% of all the primary government's revenues. Program revenues of governmental activities were $2,805 million and were used to partially offset program expenses of $6,634 million, leaving net expenses of $3,829 million. Only 7% of total expenses were spent on general government expenses. General taxes, investment earnings, contributions to the permanent fund principal and transfers all totaling $4,127 million were used to more than cover the remaining costs of the governmental activities' programs as shown below.

Program revenues only increased 2% from 2007. Tax revenues were up $95 million (almost identical to the increase recorded in 2007), which fell short of offsetting the $300 million increase in program expenses, net of revenues. In addition, investment earnings decreased $136 million, as opposed to a $157 million increase in 2007. These items were the chief reasons the increase in net assets was $343 million lower in 2008 than the $641 million increase recorded in 2007. The decrease in investment earnings was the result of unrealized market valuation losses on investments held in the Health and Social Services and Permanent School Fund programs in 2008 of $57 million, as opposed to unrealized gains of $94 million in 2007, a negative difference of $151 million, which was only offset somewhat by increased actual investment earnings received. While the General Fund has more investments than both of those programs, it maintains safer investments and actually showed an increase in investment income in 2008 over 2007 of $13 million.

Program expenses, net of revenue, increased by $300 million in 2008, as shown below:

GOVERNMENTAL ACTIVITIES
(in millions of dollars)

Program Expenses, Net of Revenue	**2008**	**2007**
General Government	$ (342)	$ (254)
Conservation of Natural Resources	(33)	(38)
Culture - Recreation	(7)	(7)
Economic Development and Assistance	(29)	(30)
Education	(1,122)	(1,043)
Higher Education - Colleges and University	(558)	(529)
Health and Social Services	(1,192)	(1,101)
Public Safety	(211)	(214)
Regulation of Business and Professions	(6)	(35)
Transportation	(327)	(276)
Interest on Long-Term Debt	(2)	(2)
Subtotal	(3,829)	(3,529)
General Revenues		
Taxes	3,966	3,871
Unrestricted Investment Earnings	114	250
Miscellaneous	4	1
Transfers	31	29
Contributions to Permanent Fund Principal	12	19
Increase (Decrease) in Net Assets	$ 298	$ 641

Four functional areas of the State comprise 82% of the expenses of all Governmental Activities: Education, Higher Education, Health and Social Services and Transportation. They also comprise 83% of the increase in program expenses, net of revenue. Education net expenses were up $79 million chiefly due to planned budgetary increases providing more school aid to the K-12 school systems in Nebraska. Health and Social Services was up $91 million mainly because of increased aid for behavioral health, welfare, Medicaid and other aid programs and a $7 million decrease in funding from grants. Higher Education was up as appropriations from the State to the University of Nebraska and the state colleges were increased $29 million. Transportation net expenses were up $51 million chiefly due to increased highway construction, more aid to cities and counties, and less tax revenues. All the other functional areas had small variances in net expenses, except for General Government expenses, which increased due to property tax relief of $105 million provided to property owners in Nebraska.

Business-type Activities

The business-type activities increased the State's net assets by $40 million for 2008, which was net of a $31 million transfer to the governmental activities. Most of the $246 million of business-type activities' program revenues were related to the business assessment fees in the Unemployment Insurance Fund and Lottery Fund revenues. The Unemployment Insurance Fund had operating income of only $5 million in 2008. However, this income, when combined with the $23 million in investment income and $13 million of net revenue from Excess Liability activities, produced $41 million of net revenue. Lottery revenues of $122 million generated net revenue of $30 million, which was offset by the $31 million transfer to the Governmental Activities. The lottery transfer was used primarily for education and environmental studies.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows and outflows and the availability of spendable resources. In particular, the unreserved balance may provide some indication of the State's net resources available for spending at the end of the fiscal year. (Unreserved balances may be designated or undesignated. If unreserved balances are designated, they are unreserved only within the confines of the purposes of the fund involved. In the Governmental Funds, most of the unreserved balances reside in designated funds.) At June 30, 2008, the State's Governmental Funds reported combined ending fund balances of $2,940 million. The total unreserved balances amounted to $2,251 million.

General Fund

The General Fund is the chief operating fund of the State. The major General Fund liability is the estimated tax refunds payable of $302 million. However, such refunds payable are $5 million less than the expected taxes owed the State. Other assets of the General Fund available to pay non tax-refund liabilities exceed such liabilities by $969 million.

On June 30, 2007, the General Fund had a positive fund balance of $972 million. While both revenues and expenditures increased in 2008, revenues again exceeded expenditures which increased the fund balance $128 million in 2008. (This was much less than the $285 million increase that occurred in 2007.)

This operating increase in 2008, when coupled with the $126 million of net transfers out, caused the General Fund balance to increase by only $2 million, ending with a fund balance of $974 million. The significant transfer out was the $105 million for the aforementioned property tax relief.

Revenues in 2008, somewhat more than anticipated, were up $115 million over 2007 chiefly due to (1) an increase in income tax revenue of $90 million (a 5% increase) over 2007 and (2) sales taxes from retail sales were up 1.6% over last year, increasing $21 million. Expenditures were less than budgeted due to continued efforts by agency heads to be conservative in spending.

To compensate for any downturns in revenues, the State has maintained a budgetary basis Cash Reserve Fund. While this Cash Reserve Fund is commingled with General fund cash in the General Fund financial statements, it is separate and distinct in that, by State Statute, it can only be used (1) when the cash balance of the General Fund is insufficient to meet General Fund current obligations and (2) for legislatively mandated transfers to other funds. Any money transferred in accordance with item one above must be repaid as soon as there is sufficient cash in the General Fund cash account to do so. No such need existed in 2008.

The Cash Reserve Fund was at $274 million at the beginning of 2007. Due to the fact that 2006 revenues exceeded the forecast, a statutory requirement caused a $260 million transfer from the General Fund cash account to the Cash Reserve Fund in 2007. There were also other transfers out of the Fund of $18 million, leaving a Cash Reserve Fund balance at June 30, 2007 of $516 million. The statutory transfer into the Fund for excess receipts for FY 2007 of $191 million was made in July, 2007. In 2008, there were also net transfers out of $162 million, leaving a Fund balance of $545 million at June 30, 2008.

Other Governmental Funds

Other governmental fund balances totaled $1,966 million at June 30, 2008; $688 million of such fund balances is reserved to indicate that such dollars are not available for new spending because such funds (1) are represented by endowment principal ($418 million), (2) are represented by an asset that has not yet been received, e.g., loans receivable ($253 million), (3) have been expended for other assets, chiefly inventories ($7 million) and thus the funds are not available, or (4) have been committed for debt service ($10 million).

Of the non-General Fund unreserved fund balances of $1,279 million, $65 million represents permanent school funds which can be used only for support of public schools. Special Revenue Funds fund balances of $1,065 million, while unreserved, normally must be spent within the confines of such special revenue funds (a majority of these same funds are considered “restricted” on the government-wide financial statements). Twenty-seven million dollars is represented by other permanent funds, which again normally must be spent within the confines of the fund. One hundred twenty-two million dollars is in the Capital Projects Fund, which, while unreserved, must be spent on capital projects.

The three major funds presented as special revenue funds are the Highway Fund, the Federal Fund and the Health and Social Services Fund, with total fund balances of $647 million. Of this balance, $638 million is classified as unreserved, but which are restricted in the government-wide statements, indicating that the funds are unreserved only within the confines of such funds.

Governmental funds other than the General Fund saw an increase in fund balances of $124 million. The fund balances of the following funds increased: the Highway Fund ($2 million), the Federal Fund ($1 million) and other Nonmajor Funds ($155 million). The Permanent School Fund decreased by $11 million and Health and Social Service Fund decreased by $23 million.

The Highway Fund had a $33 million increase in federal funds, increased charges for services of $16 million, and $15 million increased sales tax revenue. However, decreases in fuels tax revenues of $37 million and $92 million of increases in operating expenses (namely $58 million in highway construction, $16 million in aid to cities and counties, and payment for a $10 million lawsuit settlement) were the major reasons the Highway Fund had only a $2 million increase in its fund balance in 2008 as opposed to a $56 million increase in 2007.

The activity in the Federal Fund represents federal funds received and each year's spending should generally approximate grant funds received. In 2008 the State received about the same funding in federal grants and contracts as it did in 2007 as other revenue only increased $5 million; expenditures were only $9 million less than 2007. Transfers out increased $3 million, so at the end of 2008 there was a net increase in the fund of $11 million, compared to a $10 million decrease in 2007.

The Health and Social Services Fund consists of the Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund, in addition to various cash funds. Such cash funds receive transfers from such trust funds, income from charges for services, and some tax revenue, among other income. The funds had a $2 million increase in investment income in 2008 but incurred $36 million of unrealized losses in the market value of investments, compared to $52 million of unrealized gains in 2007. The decreased revenues of $85 million, when coupled with a $10 million increase in expenditures, resulted in a $95 million decrease in the net change in fund balance in 2008, as opposed to a $72 million increase in 2007.

The Permanent School Funds had a $69 million decrease in revenue, chiefly due to a $63 million decrease in investment income caused by $21 million of unrealized losses in the market value of investments in 2008, as opposed to $42 million of unrealized gains in 2007. When the unrealized market losses were combined with other income and a $6 million decrease in expenditures, the net change in fund balance decreased $10 million in 2008 in comparison with a $53 million increase in 2007.

The Nonmajor Funds revenues and expenses both increased about $4 million from 2007 to 2008. There were no significant changes in the types of revenues and only one significant change in the expenditures, in that Regulation spent $24 million less in 2008, which was offset by increased expenditures in other programs. The result was no increase in 2008, which was about equal to the 2007 fund balance decrease from operations of $1 million. There were $119 million more net transfers in for the Nonmajor funds in 2008 versus 2007. This was chiefly caused by $71 million transferred for capital projects, $12 million for agriculture conservation and $14 million for economic development. As a result, the net change in fund balance increased $155 million in 2008 as opposed to only $34 million in 2007.

Proprietary Funds

The State's proprietary funds provide the same type of information discussed earlier in the government-wide financial statements under Business-type Activities, but in more detail. The State's one major proprietary fund, the Unemployment Insurance Fund, had reported net assets of $343 million at the end of 2008. This fund's net assets increased $23 million in 2008, due to business assessment fees exceeding the unemployment claims paid out by $5 million (which in effect helped rebuild the cash reserves of the fund) and investment earnings of $18 million. Other proprietary or enterprise funds, the Lottery Fund, the Excess Liability Fund (this fund was established to provide limited liability for physicians working in Nebraska) and Cornhusker State Industries (this operation utilizes incarcerated persons to manufacture and sell items) had combined income of $49 million prior to a $31 million transfer from the Lottery to governmental funds. Such transfer was used primarily for education and environmental studies. The $18 million increase in net assets was the due to the Excess Liability Fund having $11 million in premium charges; $4 million in investment earnings; and the decrease in the Fund's "incurred but not reported" claims liability was $3 million more than the actual claims paid in 2008.

Fiduciary Funds

The Pension Trust Funds represent the majority of the fiduciary funds. Such Pension Trust Fund's net assets decreased $375 million to $8,727 million in 2008 due primarily to a declining market in 2008, which depreciated the market value of investments by $510 million. (In 2007 there was a $1,185 million appreciation of investments.) Investment income in 2008 was $194 million versus $147 million in 2007. Benefits, refunds and related administrative expenses exceeded the contributions to the plans by $41 million. In another trust fund, $579 million of participant contributions was received by the College Savings Plan and is recorded in the Private Purpose Trust Funds. Total net assets in the College Savings Plan now total over two billion dollars.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

In 2008, the State continued to benefit from of a relatively stable economy in the Midwest. Forecasted revenues, upon which the State's budgeted General Fund expenditures are based, were anticipated to be basically flat in 2008 and equal to 2007 net revenue. Because revenues were a concern during 2008, the State's Forecasting Board made two new forecasts throughout the year. However, they ended up with forecasted net tax revenues only $18 million above the original forecast. Nevertheless, the State even exceeded the revised projected tax revenues of $3,306 million by $99 million, realizing actual tax revenues, net of refunds, of $3,405 million on a budgetary basis. Additionally, agencies continued to watch their General Fund expenditures and spent $240 million less than the final appropriated amount. This reduction, when coupled with the increased tax revenues, allowed the State to finish 2008 with $250 million of General Fund revenues in excess of expenditures on a budgetary basis, prior to net transfers out. Most of this excess was transferred out for specific purposes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the State had invested $7.6 billion, net of accumulated depreciation, in capital assets as reported in the Statement of Net Assets and summarized in the table below. Depreciation expense for 2008 totaled $45 million, compared to $40 million for 2007.

CAPITAL ASSETS AS OF JUNE 30
(net of depreciation in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	$ 527	$ 519	$ -	$ -	$ 527	$ 519
Buildings and Equipment	370	344	6	6	376	350
Infrastructure	6,651	6,525	-	-	6,651	6,525
Subtotal	7,548	7,388	6	6	7,554	7,394
Construction in Progress	68	76	-	-	68	76
Total	$ 7,616	$ 7,464	$ 6	$ 6	$ 7,622	$ 7,470

Infrastructure (roads, bridges, dams, etc.) is by far the largest group of assets owned by the State. GASB Statement No. 34 requires the State to select one of two methods to account for its infrastructure assets.

One process is to record depreciation expense on selected infrastructure assets. The State has adopted an alternative process, referred to as the modified approach. Under this alternative method, the State expenses certain maintenance and preservation costs and does not record any depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of roads that the State is responsible to maintain.

In assessing the condition of State roads, the State's goal is to maintain at least an overall system rating of 72 or above using the Nebraska Serviceability Index. The most recent condition assessment, completed for calendar year 2007, indicated an overall system rating of 82, a rating that has been very consistent over the past six years.

For 2008, it was estimated that the State needed to spend $155 million to preserve and maintain the roads at the abovementioned level. The State actually spent $208 million on roads in 2008, compared to $167 million in 2007. For 2009, it is estimated that the State needs to spend $206 million, a slight reduction from 2008 and about the same as the average of the previous five years. However, past history (page 72) indicates the State typically spends more than estimated.

The State also spent $133 million on capitalized infrastructure and land purchases relating to roads in 2008 ($145 million in 2007), most notably reconstructing (a) Highway 34 west of Lincoln, (b) Interstate 80 between Omaha and Lincoln, (c) Highway 30 around Fremont, and (d) Highway 275 around Hooper. Major land purchases included areas next to two interchanges on Interstate 80, in south Lincoln and land purchased near three State highways. At June 30, 2008, the State had contractual commitments of $561 million for various highway and building projects. Most of the related expenditures will be expensed and not capitalized. (See Notes 1.J and 3 to the financial statements.)

During 2008, the State added $74 million of new depreciable capital assets, both buildings and equipment. A more detailed analysis of capital assets is shown in Note 3 to the financial statements.

Long-Term Debt

Long-term debt related to capital assets is minimal for reasons previously stated. For further detail and analysis of long-term debt, see Notes 7 and 8 to the financial statements.

CERTAIN LONG-TERM DEBT AS OF JUNE 30
(in millions of dollars)

	GOVERNMENTAL ACTIVITIES	
	2008	2007
Bonds Payable:		
Nebraska State Building Corporation	$ 1	$ 1
NETC Leasing Corp	10	14
	11	15
Capitalized Leases:	$ 19	$ 22

There were no new bonds issued in 2008 or 2007. There were two capitalized leases added in 2008 (only one lease was added in 2007). Bonds and Certificates of Participation for leases issued on behalf of the State maintain an AA rating from Standard and Poors and an Aa3 rating from Moody's. Standard and Poor's has issued an AA+ rating for the State as a whole.

FACTORS THAT WILL AFFECT THE FUTURE

Nebraska's economy has continued with slow, steady growth. How the State revenue is affected by the current national economy decline and market freefall will greatly impact the future net revenues of the State. It also could cause additional required State contributions to retirement plans. In addition, the State must continue to monitor the recent annual increases in State spending for Medicaid. This is critical to the future cash position of the State. In 2009, Medicaid aid is projected to increase only $15 million over the 2008 budgeted amount; however, in 2008 the State actually spent $36 million less than budgeted. Another area of concern is the appropriated increase in aid to education for K-12 schools and special education of $81 million, which represents 65% of the appropriated increase in General Fund aid of $125 million for 2009. Net General Fund revenues for 2009 are currently projected to only exceed actual 2008 revenues by $40 million, as the recent downturn in economic conditions will offset normal inflationary increases in tax revenues. As a result, the current 2009 budget, after including all planned net transfers out (assuming 100% of all appropriations will be spent) anticipates a $6 million decrease in the General Fund balance, which will be considerably less than previous years' significant dollar increases. However, in the past three years the State has, on average, spent 6% less each year of appropriated expenditures. If this trend continues, this could provide for an increase in the General Fund in 2009.

The State passed legislation in 2006 that commits the State's General Fund to provide aid to education for maintenance, repair and renovation of buildings and facility replacement construction on the campuses of the University and state colleges. The total amount of the aid from 2007 through 2020 will total $153.25 million. To date the State has spent $6.625 million in both 2007 and 2008, will spend a like amount in 2009 and then will spend $12.125 million annually from July 1, 2009 through June 30, 2020. As of June 30, 2008 the remaining commitment for the State through 2020 is $140 million. Both the University and the state colleges have secured debt financing for such repairs, renovation and construction, and these State funds will be used for debt service on the bonds which will be paid off in 2020.

To help offset any future economic downturns, as previously explained, the State maintains a Cash Reserve Fund. As of June 30, 2008, this Fund had a $545 million balance. One hundred seventeen million was transferred from the General Fund in July 2008 to the Cash Reserve Fund as statutorily required. From the Cash Reserve Fund there were $11 million of other statutory disbursements in July 2008, resulting in a balance of $651 million at July 31, 2008. Future significant statutory disbursements from this fund in the next two years include $55 million to be transferred to the General Fund, $10 million transferred to the Nebraska Capital Construction Fund and $5 million to the Roads Operations Fund.

CONTACTING THE STATE ACCOUNTING OFFICE

This report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional information, contact the State Accounting Division of Administrative Services, Suite 1309 State Capitol, Lincoln, NE 68509-4664, (402) 471-2581.

The State's component units issue their own separately issued audited financial statements. These statements may be obtained by directly contacting the component units. For the University of Nebraska, contact the University of Nebraska, Director of University Accounting, 209 Varner Hall, 3835 Holdrege, Lincoln, NE 68583, (402) 472-2191. For the State College System, contact the Nebraska State College System, Fiscal and Facilities Management, 1115 K Street, Lincoln, NE 68509-4605, (402) 471-2505.

GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

BASIC FINANCIAL STATEMENTS

GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

State of Nebraska

STATEMENT OF NET ASSETS

June 30, 2008

(Dollars in Thousands)	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	COMPONENT UNITS
ASSETS				
Cash and Cash Equivalents	$ 158,280	$ 319,776	$ 478,056	$ 322,150
Receivables, net of allowance				
Taxes	346,753	-	346,753	-
Due from Federal Government	280,429	-	280,429	-
Other	212,094	57,045	269,139	260,806
Internal Balances	(480)	480	-	-
Due from Primary Government	-	-	-	6,377
Investments	2,768,856	83,474	2,852,330	1,782,859
Loans Receivable	252,743	-	252,743	39,972
Investment in Joint Venture	-	-	-	227,508
Other Assets	17,253	2,492	19,745	39,535
Restricted Assets:				
Cash and Cash Equivalents	19,323	-	19,323	354,444
Other	-	1,769	1,769	1,434
Securities Lending Collateral	447,890	9,297	457,187	-
Capital assets:				
Land	526,453	315	526,768	61,358
Infrastructure	6,651,497	-	6,651,497	-
Construction in Progress	68,017	-	68,017	244,697
Land Improvements	-	-	-	138,593
Buildings and Equipment	867,951	11,379	879,330	1,705,653
Less Accumulated Depreciation	(497,537)	(5,268)	(502,805)	(678,137)
Total Capital Assets, net of depreciation	7,616,381	6,426	7,622,807	1,472,164
Total Assets	$ 12,119,522	$ 480,759	$ 12,600,281	$ 4,507,249
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 382,475	$ 20,500	$ 402,975	$ 185,109
Tax Refunds Payable	309,957	-	309,957	-
Due to Other Governments	14,275	-	14,275	-
Deposits	9,705	-	9,705	24,758
Due to Component Units	6,377	-	6,377	-
Unearned Revenue	48,730	4,785	53,515	92,391
Obligations under Securities Lending	447,890	9,297	457,187	-
Noncurrent Liabilities:				
Due within one year	242,776	25,336	268,112	95,788
Due in more than one year	201,119	22,452	223,571	632,434
Total Liabilities	$ 1,663,304	$ 82,370	$ 1,745,674	$ 1,030,480
NET ASSETS				
Invested in Capital Assets, net of related debt	$ 7,587,729	$ 6,426	$ 7,594,155	$ 922,600
Restricted for:				
Education	22,137	-	22,137	1,431,482
Health and Social Services	501,824	-	501,824	-
Conservation of Natural Resources	386,487	-	386,487	-
Transportation	158,273	-	158,273	-
Licensing and Regulation	52,335	-	52,335	-
Other Purposes	149,079	1,769	150,848	304,837
Unemployment Insurance Benefits	-	342,417	342,417	-
Debt Service and Construction	10,226	-	10,226	208,968
Permanent Trusts:				
Nonexpendable	417,823	-	417,823	-
Expendable	91,759	-	91,759	-
Unrestricted	1,078,546	47,777	1,126,323	608,882
Total Net Assets	$ 10,456,218	$ 398,389	$ 10,854,607	$ 3,476,769

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

(Dollars in Thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	$ 437,830	$ 86,869	$ 6,451	$ 2,252
Conservation of Natural Resources	112,936	34,439	44,970	215
Culture – Recreation	26,073	17,072	2,578	77
Economic Development and Assistance	84,852	4,808	51,095	-
Education	1,450,085	25,807	302,280	42
Higher Education - Colleges and University	558,282	-	-	-
Health and Social Services	2,744,217	126,075	1,426,639	-
Public Safety	372,677	25,118	117,925	18,672
Regulation of Business and Professions	130,603	122,667	1,520	-
Transportation	714,032	105,748	281,646	-
Interest on Long-term Debt	2,241	-	-	-
Total governmental activities	6,633,828	548,603	2,235,104	21,258
Business-type activities:				
Unemployment Insurance	98,365	102,881	-	-
Lottery	91,653	121,910	-	-
Excess Liability	(2,707)	10,947	-	-
Cornhusker State Industries	10,435	9,880	-	-
Total business-type activities	197,746	245,618	-	-
Total Primary Government	$ 6,831,574	$ 794,221	$ 2,235,104	$ 21,258
COMPONENT UNITS:				
University of Nebraska	$ 1,604,803	$ 671,656	$ 366,599	$ 5,961
State Colleges	86,458	29,621	10,901	1,679
Total Component Units	$ 1,691,261	$ 701,277	$ 377,500	$ 7,640
General revenues:				
Income Taxes				
Sales and Use Taxes				
Petroleum Taxes				
Excise Taxes				
Business and Franchise Taxes				
Other Taxes				
Unrestricted Investment earnings				
Miscellaneous				
Payments from State of Nebraska				
Contributions to Permanent Fund Principal				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (342,258)	$ -	$ (342,258)	$ -
(33,312)	-	(33,312)	-
(6,346)	-	(6,346)	-
(28,949)	-	(28,949)	-
(1,121,956)	-	(1,121,956)	-
(558,282)	-	(558,282)	-
(1,191,503)	-	(1,191,503)	-
(210,962)	-	(210,962)	-
(6,416)	-	(6,416)	-
(326,638)	-	(326,638)	-
(2,241)	-	(2,241)	-
(3,828,863)	-	(3,828,863)	-
-	4,516	4,516	-
-	30,257	30,257	-
-	13,654	13,654	-
-	(555)	(555)	-
-	47,872	47,872	-
(3,828,863)	47,872	(3,780,991)	-
-	-	-	(560,587)
-	-	-	(44,257)
-	-	-	(604,844)
1,956,656	-	1,956,656	-
1,481,067	-	1,481,067	-
290,721	-	290,721	-
141,012	-	141,012	-
80,925	-	80,925	-
15,269	-	15,269	-
114,252	23,347	137,599	93,041
3,374	-	3,374	161,353
-	-	-	558,282
12,301	-	12,301	-
31,008	(31,008)	-	-
4,126,585	(7,661)	4,118,924	812,676
297,722	40,211	337,933	207,832
10,158,496	358,178	10,516,674	3,268,937
$ 10,456,218	$ 398,389	$ 10,854,607	$ 3,476,769

State of Nebraska

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2008

(Dollars in Thousands)

	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
ASSETS:							
Cash and Cash Equivalents	$ 40,204	$ 5,933	$ 1,817	$ 1,285	$ 508	$ 27,283	$ 77,030
Cash on Deposit with Fiscal Agents	-	-	-	-	-	19,323	19,323
Investments	1,098,335	156,753	54,324	473,478	416,335	569,631	2,768,856
Securities Lending Collateral	219,708	31,356	11,872	51,450	24,132	109,372	447,890
Receivables, net of allowance							
Taxes	307,328	39,241	-	-	-	184	346,753
Due from Federal Government	-	30,483	249,025	-	-	921	280,429
Loans	810	-	2,363	407	-	249,163	252,743
Other	29,374	7,217	22,807	32,976	94,931	22,147	209,452
Due from Other Funds	78,591	852	1,459	6,251	-	5,670	92,823
Inventories	553	6,744	1,982	22	-	-	9,301
Prepaid Items	5	10	8	-	-	100	123
Other	4,316	-	-	-	-	2,187	6,503
TOTAL ASSETS	$ 1,779,224	$ 278,589	$ 345,657	$ 565,869	$ 535,906	$ 1,005,981	$ 4,511,226
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Accounts Payable and Accrued Liabilities	$ 86,898	$ 67,219	$ 107,814	$ 8,031	$ 43,728	$ 31,191	$ 344,881
Tax Refunds Payable	302,275	7,682	-	-	-	-	309,957
Due to Other Governments	6,769	7,400	-	-	-	106	14,275
Deposits	4,322	1,216	2,180	418	153	1,416	9,705
Due to Other Funds	53,066	5,531	81,175	2,532	15	8,705	151,024
Due to Component Units	6,377	-	-	-	-	-	6,377
Obligations under Securities Lending	219,708	31,356	11,872	51,450	24,132	109,372	447,890
Claims Payable	95,412	-	96,219	-	-	-	191,631
Deferred Revenue	30,722	-	40,237	20,386	4,534	-	95,879
TOTAL LIABILITIES	805,549	120,404	339,497	82,817	72,562	150,790	1,571,619
FUND BALANCES:							
Reserved for:							
Long-Term Receivables	810	-	2,363	407	-	249,163	252,743
Inventories and Prepaid Items	558	6,754	8	22	-	100	7,442
Debt Service	-	-	-	-	-	10,455	10,455
Endowment Principal	-	-	-	-	398,258	19,565	417,823
Unreserved, reported in:							
General Fund	972,307	-	-	-	-	-	972,307
Special Revenue Funds	-	151,431	3,789	482,623	-	427,549	1,065,392
Permanent Funds	-	-	-	-	65,086	26,673	91,759
Capital Projects Fund	-	-	-	-	-	121,686	121,686
TOTAL FUND BALANCES	973,675	158,185	6,160	483,052	463,344	855,191	2,939,607
TOTAL LIABILITIES AND FUND BALANCES	$ 1,779,224	$ 278,589	$ 345,657	$ 565,869	$ 535,906	$ 1,005,981	$ 4,511,226

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2008

(Dollars in Thousands)

Total fund balances for governmental funds		$ 2,939,607
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	526,453	
Infrastructure	6,651,497	
Construction in progress	68,017	
Other capital assets	808,782	
Accumulated depreciation	(462,252)	7,592,497
Certain tax revenues and charges are earned but not available and therefore are deferred in the funds.		47,845
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		50,902
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(10,835)	
Accrued interest on bonds	(229)	
Capital leases	(10,063)	
Obligations under other financing arrangements	(14,785)	
Compensated absences	(117,818)	
Claims and judgments	(20,903)	(174,633)
Net assets of governmental activities		$ 10,456,218

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	GENERAL FUND	HIGHWAY FUND	FEDERAL FUND	HEALTH AND SOCIAL SERVICES	PERMANENT SCHOOL FUND	NONMAJOR FUNDS	TOTALS
REVENUES:							
Income Taxes	$ 1,946,761	$ -	$ -	$ 3,602	$ -	$ -	$ 1,950,363
Sales and Use Taxes	1,314,813	155,801	-	-	-	3,637	1,474,251
Petroleum Taxes	-	276,377	-	-	4,600	14,344	295,321
Excise Taxes	80,201	-	-	7,708	-	50,890	138,799
Business and Franchise Taxes	62,630	-	-	-	-	18,295	80,925
Other Taxes	4,307	3,263	-	-	-	7,699	15,269
Federal Grants and Contracts	21	265,743	1,955,207	963	-	34,428	2,256,362
Licenses, Fees and Permits	20,184	74,542	531	46,360	918	116,465	259,000
Charges for Services	2,716	29,034	14,789	28,560	-	33,202	108,301
Investment Income	82,863	10,458	4,361	(17,810)	(5,093)	35,937	110,716
Rents and Royalties	-	419	39	479	24,965	25,907	51,809
Surcharge	-	-	-	-	-	53,329	53,329
Other	3,630	4,478	7,528	27,317	6,993	26,586	76,532
TOTAL REVENUES	3,518,126	820,115	1,982,455	97,179	32,383	420,719	6,870,977
EXPENDITURES:							
Current:							
General Government	358,672	-	4,049	-	-	67,589	430,310
Conservation of Natural Resources	32,377	-	24,453	-	-	55,503	112,333
Culture – Recreation	5,770	-	2,270	-	-	18,186	26,226
Economic Development and Assistance	7,053	-	55,239	-	-	23,515	85,807
Education	1,090,644	-	302,958	-	42,911	11,657	1,448,170
Higher Education - Colleges and University	524,751	-	-	-	-	33,531	558,282
Health and Social Services	1,149,281	-	1,445,042	119,330	-	1,730	2,715,383
Public Safety	217,544	-	134,943	-	-	30,669	383,156
Regulation of Business and Professions	4,105	-	1,795	-	-	124,430	130,330
Transportation	16	834,266	-	-	-	19,239	853,521
Capital Projects	-	-	-	-	-	27,289	27,289
Debt Service:							
Principal	-	-	-	-	-	6,215	6,215
Interest	-	-	-	-	-	1,459	1,459
TOTAL EXPENDITURES	3,390,213	834,266	1,970,749	119,330	42,911	421,012	6,778,481
Excess of Revenues Over (Under) Expenditures	127,913	(14,151)	11,706	(22,151)	(10,528)	(293)	92,496
OTHER FINANCING SOURCES (USES):							
Transfers In	21,101	25,731	9	935	-	206,210	253,986
Transfers Out	(147,039)	(9,400)	(10,933)	(2,043)	-	(53,563)	(222,978)
Proceeds from Other Financing Arrangements	-	-	-	-	-	2,790	2,790
Proceeds from Capital Leases	57	-	-	-	-	-	57
TOTAL OTHER FINANCING SOURCES (USES)	(125,881)	16,331	(10,924)	(1,108)	-	155,437	33,855
Net Change in Fund Balances	2,032	2,180	782	(23,259)	(10,528)	155,144	126,351
FUND BALANCES, JULY 1	971,643	156,005	5,378	506,311	473,872	700,047	2,813,256
FUND BALANCES, JUNE 30	$ 973,675	$ 158,185	$ 6,160	$ 483,052	$ 463,344	$ 855,191	$ 2,939,607

The accompanying notes are an integral part of the financial statements.

State of Nebraska

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

(Dollars in Thousands)

Net change in fund balances–total governmental funds		$ 126,351
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. Sales of capital assets are reported as revenues. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay, net of gains or losses	187,363	
Depreciation expense	(37,236)	150,127
Bond proceeds and other financing arrangements provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
Other financing arrangements	(2,790)	(2,790)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.		(57)
Repayment of long-term debt and other financing arrangements is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:		
Bond principal retirement	4,405	
Other financing arrangement payments	1,810	
Capital lease payments	4,252	10,467
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		(3,093)
Because some revenues will not be collected in the next year, they are not considered available revenues and are deferred in the governmental funds. Unearned revenues increased by this amount this year.		14,838
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued interest	79	
Increase in compensated absences	(4,323)	
Decrease in claims and judgments	6,123	1,879
Change in net assets of governmental activities		$ 297,722

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2008

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	INTERNAL SERVICE FUNDS
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	$ 301,049	$ 18,727	$ 319,776	$ 81,919
Receivables, net of allowance	25,481	31,564	57,045	2,457
Due from Other Funds	-	643	643	44,387
Inventories	-	1,961	1,961	191
Prepaid Items	-	531	531	1,135
TOTAL CURRENT ASSETS	326,530	53,426	379,956	130,089
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	-	1,769	1,769	-
Long-Term Investments	32,917	50,557	83,474	-
Securities Lending Collateral	6,585	2,712	9,297	-
Capital Assets:				
Land	-	315	315	-
Buildings and Equipment	885	10,494	11,379	59,169
Less Accumulated Depreciation	(770)	(4,498)	(5,268)	(35,285)
Total Capital Assets, net	115	6,311	6,426	23,884
TOTAL NONCURRENT ASSETS	39,617	61,349	100,966	23,884
TOTAL ASSETS	$ 366,147	$ 114,775	$ 480,922	$ 153,973
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 1,632	$ 18,868	$ 20,500	$ 18,164
Due to Other Funds	-	163	163	6,351
Capital Lease Obligations	-	-	-	3,141
Claims, Judgments and Compensated Absences	15,383	9,953	25,336	28,302
Unearned Revenue	-	4,785	4,785	696
TOTAL CURRENT LIABILITIES	17,015	33,769	50,784	56,654
NONCURRENT LIABILITIES:				
Capital Lease Obligations	-	-	-	6,305
Claims, Judgments and Compensated Absences	15	22,437	22,452	40,112
Obligations under Securities Lending	6,585	2,712	9,297	-
TOTAL NONCURRENT LIABILITIES	6,600	25,149	31,749	46,417
TOTAL LIABILITIES	23,615	58,918	82,533	103,071
NET ASSETS:				
Invested in Capital Assets, net of related debt	115	6,311	6,426	14,438
Restricted for:				
Lottery Prizes, Noncurrent	-	1,769	1,769	-
Unemployment Insurance Benefits	342,417	-	342,417	-
Unrestricted	-	47,777	47,777	36,464
TOTAL NET ASSETS	342,532	55,857	398,389	50,902
TOTAL LIABILITIES AND NET ASSETS	$ 366,147	$ 114,775	$ 480,922	$ 153,973

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	INTERNAL SERVICE FUNDS
OPERATING REVENUES:				
Charges for Services	$ 102,881	$ 142,581	$ 245,462	$ 312,449
Other	-	156	156	2,078
TOTAL OPERATING REVENUES	102,881	142,737	245,618	314,527
OPERATING EXPENSES:				
Personal Services	112	5,720	5,832	31,621
Services and Supplies	265	27,256	27,521	101,607
Lottery Prizes	-	69,239	69,239	-
Unemployment Claims	97,793	-	97,793	-
Insurance Claims	-	(3,268)	(3,268)	182,154
Depreciation	195	434	629	6,809
TOTAL OPERATING EXPENSES	98,365	99,381	197,746	322,191
Operating Income (Loss)	4,516	43,356	47,872	(7,664)
NONOPERATING REVENUES (EXPENSES):				
Investment Income	17,985	5,362	23,347	3,536
Gain (Loss) on Sale of Capital Assets	-	-	-	(852)
Other	-	-	-	1,887
TOTAL NONOPERATING REVENUES (EXPENSES)	17,985	5,362	23,347	4,571
Income (Loss) Before Transfers	22,501	48,718	71,219	(3,093)
Transfers Out	-	(31,008)	(31,008)	-
Change in Net Assets	22,501	17,710	40,211	(3,093)
NET ASSETS, JULY 1	320,031	38,147	358,178	53,995
NET ASSETS, JUNE 30	$ 342,532	$ 55,857	$ 398,389	$ 50,902

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 107,178	$ 134,384	$ 241,562	$ 16,013
Cash Received from Interfund Charges	-	7,236	7,236	308,829
Cash Paid to Employees	(111)	(5,627)	(5,738)	(31,455)
Cash Paid to Suppliers	(268)	(25,525)	(25,793)	(91,396)
Cash Paid for Lottery Prizes	-	(69,988)	(69,988)	-
Cash Paid for Insurance Claims	(91,894)	(7,232)	(99,126)	(180,842)
Cash Paid for Interfund Services	(8)	(2,141)	(2,149)	(8,360)
NET CASH FLOWS FROM OPERATING ACTIVITIES	14,897	31,107	46,004	12,789
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cigarette Tax Proceeds	-	-	-	2,213
Transfers Out	-	(31,008)	(31,008)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	(31,008)	(31,008)	2,213
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(76)	(901)	(977)	(6,693)
Proceeds from Sale of Capital Assets	-	-	-	1,355
Principal Paid on Capital Leases	-	-	-	(2,514)
Interest Paid on Capital Leases	-	-	-	(326)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(76)	(901)	(977)	(8,178)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	(2,443)	(487,181)	(489,624)	-
Proceeds from Sale of Investment Securities	-	469,422	469,422	-
Interest and Dividend Income	20,955	5,028	25,983	3,347
NET CASH FLOWS FROM INVESTING ACTIVITIES	18,512	(12,731)	5,781	3,347
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,333	(13,533)	19,800	10,171
CASH AND CASH EQUIVALENTS, JULY 1	267,716	32,260	299,976	71,748
CASH AND CASH EQUIVALENTS, JUNE 30	$ 301,049	$ 18,727	$ 319,776	$ 81,919

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)

For the Year Ended June 30, 2008

(Dollars in Thousands)	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTALS	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	$ 4,516	$ 43,356	$ 47,872	$ (7,664)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	195	434	629	6,809
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	4,297	(669)	3,628	(255)
(Increase) Decrease in Due from Other Funds	-	47	47	10,821
(Increase) Decrease in Inventories	-	(270)	(270)	5
(Increase) Decrease in Prepaid Items	-	(191)	(191)	(81)
(Increase) Decrease in Long-Term Deposits	-	(170)	(170)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(8)	(419)	(427)	1,730
Increase (Decrease) in Due to Other Funds	(2)	(16)	(18)	363
Increase (Decrease) in Claims Payable	5,899	(10,500)	(4,601)	1,312
Increase (Decrease) in Unearned Revenue	-	(495)	(495)	(251)
Total Adjustments	10,381	(12,249)	(1,868)	20,453
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 14,897	$ 31,107	$ 46,004	$ 12,789

NONCASH TRANSACTIONS (dollars in thousands):

Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.

The following noncash transactions occurred during the year:

Capital Assets acquired through Capital Leases	$ -	$ -	$ -	$ 4,146
Change in Fair Value of Investments	-	286	286	-
Total Noncash Transactions	$ -	$ 286	$ 286	$ 4,146

State of Nebraska

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2008

(Dollars in Thousands)	PENSION TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents	$ 3,399	$ 29,596	$ 89,331
Investments:			
U.S. Treasury Notes and Bonds	3,887	-	-
U.S. Treasury Bills	11,394	-	-
Government Agency Securities	24,052	-	-
Corporate Bonds	497,576	-	-
International Bonds	43,250	-	-
Equity Securities	954,154	-	-
Private Equity	88,308	-	-
Options	(1,302)	-	-
Mortgages	991,717	-	-
Private Real Estate	304,552	-	-
Asset Backed Securities	88,441	-	-
Municipal Bonds	11,722	-	-
Commingled Funds	5,547,965	2,006,584	-
Guaranteed Investment Contracts	124,198	-	-
Short Term Investments	121,596	3,644	-
Total Investments	8,811,510	2,010,228	-
Securities Lending Collateral	342,256	-	-
Receivables:			
Contributions	17,635	-	-
Interest and Dividends	16,173	3,538	753
Other	420,612	2	461
Total Receivables	454,420	3,540	1,214
Due from Other Funds	201,948	-	-
Capital Assets:			
Buildings and Equipment	16,436	-	-
Less Accumulated Depreciation	(12,751)	-	-
Total Capital Assets, net	3,685	-	-
Other Assets	-	10,711	-
TOTAL ASSETS	$ 9,817,218	$ 2,054,075	$ 90,545
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 560,941	$ 3,040	$ 12,007
Due to Other Governments	-	-	51,245
Deposits	-	35	-
Due to Other Funds	182,250	13	-
Obligations under Securities Lending	342,256	-	-
Capital Lease Obligations	4,595	-	-
Accrued Compensated Absences	244	-	-
Other Liabilities	-	-	27,293
TOTAL LIABILITIES	$ 1,090,286	$ 3,088	$ 90,545
NET ASSETS			
Held in Trust for:			
Pension Benefits	$ 8,726,932	$ -	$ -
College Savings Plan	-	2,011,039	-
Other Purposes	-	39,948	-
TOTAL NET ASSETS	$ 8,726,932	$ 2,050,987	$ -

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)

	PENSION TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Contributions:		
Participant Contributions	$ 161,476	$ 579,097
Client Contributions	-	201
State Contributions	83,963	-
Political Subdivision Contributions	105,976	-
Court Fees	3,281	-
Total Contributions	354,696	579,298
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	(510,402)	39,350
Interest and Dividend Income	193,800	83,320
Securities Lending Income	16,630	-
Total Investment Income	(299,972)	122,670
Investment Expenses	14,336	12,700
Securities Lending Expenses	14,273	-
Total Investment Expense	28,609	12,700
Net Investment Income	(328,581)	109,970
Escheat Revenue	-	16,725
Other Additions	182,279	8,402
TOTAL ADDITIONS	208,394	714,395
DEDUCTIONS:		
Benefits	376,905	320,029
Refunds	10,609	-
Amounts Distributed to Outside Parties	-	18,917
Administrative Expenses	8,656	2,269
Other Deductions	186,996	-
TOTAL DEDUCTIONS	583,166	341,215
Change in Net Assets Held in Trust for:		
Pension Benefits	(374,772)	-
College Savings Plan	-	367,784
Other Purposes	-	5,396
NET ASSETS-BEGINNING OF YEAR	9,101,704	1,677,807
NET ASSETS-END OF YEAR	$ 8,726,932	$ 2,050,987

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF NET ASSETS
COMPONENT UNITS

June 30, 2008

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
ASSETS			
Cash and Cash Equivalents	$ 304,380	$ 17,770	$ 322,150
Receivables, net of allowance			
Loans	37,382	2,590	39,972
Other	258,051	2,755	260,806
Due from Primary Government	-	6,377	6,377
Investments	1,748,366	34,493	1,782,859
Investment in Joint Venture	227,508	-	227,508
Other Assets	35,672	3,863	39,535
Restricted Assets:			
Cash and Cash Equivalents	328,567	25,877	354,444
Investments Held by Trustee	-	1,434	1,434
Capital assets:			
Land	60,486	872	61,358
Land Improvements	120,879	17,714	138,593
Construction in Progress	222,316	22,381	244,697
Buildings and Equipment	1,561,540	144,113	1,705,653
Less Accumulated Depreciation	(613,343)	(64,794)	(678,137)
Total Capital Assets, net of depreciation	1,351,878	120,286	1,472,164
Total Assets	$ 4,291,804	$ 215,445	$ 4,507,249
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 174,982	$ 10,127	$ 185,109
Deposits	24,322	436	24,758
Deferred Revenue	92,056	335	92,391
Noncurrent Liabilities:			
Due within one year	90,057	5,731	95,788
Due in more than one year	589,186	43,248	632,434
Total Liabilities	$ 970,603	$ 59,877	$ 1,030,480
NET ASSETS			
Invested in Capital Assets, net of related debt	$ 841,385	$ 81,215	$ 922,600
Restricted for:			
Education	1,431,482	-	1,431,482
Other Purposes	260,347	44,490	304,837
Construction and Debt Service	196,295	12,673	208,968
Unrestricted	591,692	17,190	608,882
Total Net Assets	$ 3,321,201	$ 155,568	$ 3,476,769

The accompanying notes are an integral part of the financial statements.

State of Nebraska

STATEMENT OF ACTIVITIES
COMPONENT UNITS

For the Year Ended June 30, 2008

(Dollars in Thousands)

	UNIVERSITY OF NEBRASKA	STATE COLLEGES	TOTALS
Operating Expenses:			
Compensation and benefits	$ 964,254	$ 54,376	$ 1,018,630
Supplies and materials	232,108	5,516	237,624
Contractual services	99,876	3,632	103,508
Repairs and maintenance	41,919	1,897	43,816
Utilities	32,975	3,668	36,643
Communications	14,583	822	15,405
Depreciation	71,203	4,297	75,500
Scholarships and fellowships	133,774	837	134,611
Other	14,111	11,413	25,524
Total Operating Expenses	1,604,803	86,458	1,691,261
Program Revenues:			
Charges for Services	671,656	29,621	701,277
Operating Grants and Contributions	366,599	10,901	377,500
Capital Grants and Contributions	5,961	1,679	7,640
Total Program Revenues	1,044,216	42,201	1,086,417
Net (Expense) Revenue	(560,587)	(44,257)	(604,844)
General Revenue:			
Interest and investment earnings	89,774	3,267	93,041
Payments from the State of Nebraska	501,904	56,378	558,282
Miscellaneous	159,163	2,190	161,353
Total General Revenues	750,841	61,835	812,676
Change in Net Assets	190,254	17,578	207,832
Net Assets - Beginning	3,130,947	137,990	3,268,937
Net Assets - Ending	$ 3,321,201	$ 155,568	$ 3,476,769

The accompanying notes are an integral part of the financial statements.

1. Summary of Significant Accounting Policies

A. Basis of Presentation. The accompanying financial statements of the State of Nebraska (the "State") and its component units have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of Administrative Services. Additional data has been derived from audited financial statements of certain entities and from reports prescribed by the State Accounting Administrator and prepared by various State agencies and departments based on independent or subsidiary accounting systems maintained by them.

B. Reporting Entity. In determining its financial reporting entity, the State has considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the State, or the significance of their relationship with the State are such that exclusion would be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

As required by GAAP, these financial statements present the State and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State. Complete financial statements of the individual component units that issue separate financial statements, as noted below, can be obtained from their respective administrative offices.

Blended Component Units. The following component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

NETC Leasing Corporation. The NETC Leasing Corporation is a nonprofit corporation formed by the State in 1999 to acquire property to be leased to and purchased by the Nebraska Educational Telecommunications Commission (NETC), a State agency. The Governor appoints the members of the Board of Commissioners of the NETC and they in turn appoint and elect the five members of the Board of Directors of the NETC Leasing Corporation. Even though it is legally separate, the NETC Leasing Corporation is reported as if it were part of the State because it provides services entirely to the State.

Nebraska State Building Corporation. The Nebraska State Building Corporation (NSBC) is a nonprofit corporation formed by the State in 1987 to finance the acquisition of property to be used by the State. Even though it is legally separate, the NSBC is reported as if it were part of the State because it provides services entirely to the State.

Discretely Presented Component Units. The following component units are entities that are legally separate from the State, but are financially accountable to the State, or their relationships with the State are such that their exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State and governed by separate boards.

Nebraska State College System. The Board of Trustees of the Nebraska State Colleges governs Chadron State College, Peru State College and Wayne State College. The Board of Trustees is also the Board of Directors of the Nebraska State Colleges Facilities Corporation, a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. The Board of Trustees consists of the Commissioner of Education and six members appointed by the Governor. Chadron State, Peru State and Wayne State Foundations are tax-exempt nonprofit corporations whose purpose is to provide financial support for the Nebraska State College System. Audit reports have been issued under separate cover.

University of Nebraska. The University of Nebraska consists of the following campuses: University of Nebraska – Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, and University of Nebraska Medical Center. The University of Nebraska is governed by an elected eight-member Board of Regents. The University's financial reporting entity also consists of the following units: the University of

Nebraska Facilities Corporation, a nonprofit corporation organized to finance the construction and repair of buildings and hold them in trust for the University of Nebraska; the UNMC Physicians, organized for the purpose of billing medical service fees generated by university clinicians; UNeMed, organized to develop and market biomedical technologies for the university; the University Dental Associates, organized for the purpose of billing dental service fees generated by university dentists; the Nebraska Utility Corporation, formed to purchase, lease, construct and finance activities relating to energy requirements of the University of Nebraska-Lincoln; the Peter Kiewit Institute Technology Development Corporation, a nonprofit corporation formed for the purpose of teaching and developing information science technology through students and faculty by conducting applied research; and the University of Nebraska Foundation, a tax-exempt nonprofit corporation whose purpose is to provide financial support for the University of Nebraska. The University of Nebraska is included as a component unit because it is fiscally dependant on the State, since it receives over one fourth of its revenue from the State. Audit reports have been issued under separate cover.

The university and colleges are funded chiefly through State appropriations, tuition, federal grants, private donations and grants, and auxiliary operations.

Related Organizations. The State's officials are responsible for appointing members of boards of other organizations, but the State's accountability for these organizations does not extend beyond making these appointments. The Governor appoints the boards of the following organizations: Nebraska Educational Finance Authority, Nebraska Investment Finance Authority, and Wyuka Cemetery.

C. Government-wide and Fund Financial Statements. The basic financial statements include both government-wide and fund financial statements. The reporting model based on the GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* focuses on the State as a whole in the government-wide financial statements and major individual funds in the fund financial statements. The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Investment in Capital Assets, net of related debt. This category reflects the portion of net assets associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted Net Assets. This category results when constraints are externally imposed on net asset use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

It is the policy of the State to spend restricted net assets only when unrestricted net assets are insufficient or unavailable.

The Statement of Net Assets reports $2,134,129 of restricted net assets, of which $1,260,065 is restricted by enabling legislation.

Unrestricted Net Assets. This category represents net assets that do not meet the definition of the preceding two categories. Unrestricted net assets often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are reflected in the general government function. Administrative overhead charges of internal service funds are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) investment earnings of permanent funds that are legally restricted for a specific program. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major

individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

D. Basis of Accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except agency funds. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as they become susceptible to accrual; generally when they become both measurable and available, i.e., earned and collected within the next 60 days, except for federal reimbursement grants which use a one year availability period. Revenues are generally considered to be susceptible to accrual when the underlying transaction takes place or when eligibility requirements are met. Major revenues that are determined to be susceptible to accrual include sales taxes, income taxes, other taxpayer-assessed tax revenues, unemployment insurance taxes, federal grants and contracts, charges for services, and investment income. All other revenue items, including estate taxes, are considered to be measurable and available when cash is received by the State. Receivables not expected to be collected in the next 60 days (or 12 months in the case of federal reimbursement grants) are offset by deferred revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

The State reports the following major governmental funds:

General Fund. This is the State's primary operating fund. It reflects transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Highway Fund. This fund accounts for the maintenance and preservation of State highways financed with sales tax on motor vehicles, gas taxes, federal aid and other highway user fees.

Federal Fund. This fund accounts for substantially all federal monies received by the State, except those received by the Highway Fund.

Health and Social Services Fund. This fund accounts for activities of agencies, boards, and commissions providing health care and social services financed primarily by user fees and tobacco settlement proceeds.

Permanent School Fund. This fund receives proceeds from any sale of the school lands held in trust for public education; payments for easements and rights-of-way over these lands; royalties and severance taxes paid on oil, gas and minerals produced from these lands; escheats; unclaimed property and other items provided by law. Income is distributed to public schools.

The State reports the following major enterprise fund:

Unemployment Insurance Fund. This fund accounts for the State's unemployment insurance benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

Capital Projects Fund. Reflects transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities.

Permanent Funds. Reflects transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens, such as veterans, state airports and others.

Proprietary Fund Types:

Enterprise Funds. Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Internal Service Funds. These funds account for fleet management, facilities management, accounting, risk management, communication, information technology, printing, purchasing, and postal services provided to other funds on a cost reimbursement basis.

Fiduciary Fund Types:

Pension Trust Funds. These funds account for State Employee Retirement System, County Employee Retirement System, School Retirement System, Judges Retirement System, State Patrol Retirement System and Deferred Compensation pension benefits.

Private Purpose Trust Funds. These funds account for property escheated to the State held for private individuals, Nebraska College Savings Plan activity held for private individuals, and assets held for clients and inmates.

Agency Funds. These funds account for assets held by the State pending distribution to other governments and individuals.

In reporting the financial activity of its proprietary funds, the State applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 but not after, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents. In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills having original maturities (remaining time to maturity at acquisition) of three months or less. These investments are stated at cost, which at June 30, 2008, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

F. Investments. Investments as reported in the basic financial statements include long-term investments. Law or legal instruments may restrict these investments. All investments of the State and its component units are stated at fair value based on quoted market prices. For investments where no readily ascertainable fair value exists, management has received an estimate of fair value from the investment fund manager based, in part, on real estate appraisals. The State Treasurer is the custodian of all funds for the State; however, investments are under the responsibility of the Nebraska Investment Council or other administrative bodies as determined by law.

G. Receivables. Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

H. Inventories. Inventories of materials and supplies are determined by both physical counts and through perpetual inventory systems. Significant inventories of governmental funds are valued using weighted average cost. Proprietary Funds' valuation method is primarily at the lower of cost (first-in, first-out) or market. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Commodities on hand at fiscal year end are reflected as inventories, offset by a like amount of deferred revenue, in the Federal Fund. Commodities are reported at fair values established by the federal government at the date received.

I. Restricted Assets. Assets held by the trustees for the NETC Leasing Corporation, the Nebraska State Building Corporation, the State Revolving Fund, and the Master Lease Purchase Program are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond and lease covenants. These assets are reflected as cash on deposit with fiscal agents in the fund financial statements. The nonmajor enterprise funds reflect long-term deposits with the Multi-State Lottery as restricted assets.

J. Capital Assets. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Assets. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital

assets are valued at their estimated fair market value on the date received.

The State possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These collections are not capitalized by the State because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures, such as statues; historical documents; paintings; rare library books; and miscellaneous capitol-related artifacts and furnishings.

Generally, equipment that has a cost in excess of $5 at the date of acquisition and has an expected useful life of two or more years is capitalized. Substantially all initial building costs, land and land improvements costing in excess of $100 are capitalized. Building improvements and renovations in excess of $100 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings and equipment are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3-10 years

The State has elected to use the "modified approach" to account for certain infrastructure assets, as provided in GASB Statement No. 34. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Utilization of this approach requires the State to: commit to maintaining and preserving affected assets at or above a condition level established by the State; maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Roads and bridges maintained by the Department of Roads are accounted for using the modified approach. Infrastructure acquired prior to June 30, 1980, is reported.

K. Compensated Employee Absences. All permanent employees earn sick and vacation leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. The liability has been calculated using the vesting method in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

State employees accrue vested vacation leave at a variable rate based on years of service. Generally, accrued vacation leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 240 days (or 180 days for non-union employees). Sick leave is not vested except upon death or upon reaching the age of 55, at which time, the State is liable for 25 percent of the employee's accumulated sick leave. In addition, some State agencies permit employees to accumulate compensatory leave rather than paying overtime.

The government-wide, proprietary, and fiduciary fund financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

L. Reservations. Reservations of fund balance are established to identify the existence of assets that are not available for subsequent year appropriations (i.e., prepaid items and inventories) or have been legally segregated for specific purposes. Assets of legally restricted budgetary funds are an example of this type of reservation. Reservations of fund balance are also established for assets that are not current in nature, such as long-term loans receivable.

M. Interfund Transactions. Interfund services provided and used are accounted for as revenues, expenditures or expenses in the funds involved. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

The effect of interfund activity has been eliminated from the government-wide financial statements.

N. Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments Portfolio

Listed below is a summary of the deposit and investment portfolio that comprises the Cash and Cash Equivalents and Investments on the June 30, 2008, basic financial statements. All securities purchased or held must either be in the custody of the State or deposited with an agent in the State's name.

Deposits. At June 30, 2008, the carrying amounts of the State's deposits were $125,533 and the bank balances were $175,251. All bank balances were covered by federal depository insurance or by collateral held by the State's agent in the State's name.

State Statutes require that the aggregate amount of collateral securities deposited by a bank with the State Treasurer shall be at least one hundred two percent of the amount of public funds deposited in that bank, less the amount insured by the Federal Deposit Insurance Corporation. The State Treasurer had compensating balance agreements with various banks totaling $68,732 at June 30, 2008.

Investments. State Statute Section 72-1239.01 authorizes the appointed members of the Nebraska Investment Council to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims by diversifying the investments of the State. Certain State entities are also allowed by statute to invest in real estate and other investments.

The investment amounts for some funds presented in the fiduciary fund financial statements reflected audited financial statements for the period ended December 31, 2007. The investment risk disclosures presented below for fiduciary funds represent risks as of June 30, 2008.

The primary government's investments at June 30, 2008, are presented below. All investments are presented by investment type and debt securities are presented with effective duration presented in years.

PRIMARY GOVERNMENT INVESTMENTS AT JUNE 30, 2008

	GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES		FIDUCIARY FUNDS	
	FAIR VALUE	EFFECTIVE DURATION	FAIR VALUE	EFFECTIVE DURATION
Debt Securities				
U.S. Treasury Notes and Bonds	$ 394,094	4.06	$ 3,887	11.55
U.S. Treasury Bills	4,952	0.24	11,394	0.20
Government Agency Securities	1,251,541	3.46	24,052	4.80
Corporate Bonds	811,955	4.34	497,576	5.44
International Bonds	5,204	8.46	43,250	7.15
Mortgages	125,282	4.17	991,717	4.45
Asset Backed Securities	3,783	2.62	88,441	2.74
Commingled Funds	146,303	4.69	1,011,223	4.37
Municipal Bonds	2,323	12.96	11,722	11.37
Guaranteed Investment Contracts	2,571	2.68	124,198	2.68
Short Term Investments	203,935	0.15	125,240	0.10
	2,951,943		2,932,700	
Other Investments				
Equity Securities	77,110		954,154	
Private Equity	76		88,308	
Commingled Funds	435,067		6,543,326	
Options	(316)		(1,302)	
Private Real Estate			304,552	
U.S. Treasury Investment Pool	298,559		-	
Less: Component Unit Investment in State Investment Pool	(415,937)		-	
Total Investments	3,346,502		10,821,738	
Securities Lending Short-term Collateral Investment Pool	457,187		342,256	
Total	$ 3,803,689		$ 11,163,994	

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investments full price. The State has contracts with investment managers that limit the effective duration to within one year of the effective duration of the benchmark.

Credit Risk of Debt Securities. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State has contracts with investment managers that set minimum average quality ratings for its core fixed income accounts at an A and BB- for its high yield fixed income account. The primary government's rated debt investments as of June 30, 2008, were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES INVESTMENTS AT JUNE 30, 2008

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	$ 1,251,541	$ 1,251,541	$ -	$ -	$ -	$ -	$ -	$ -
Corporate Bonds	811,955	303,843	335,101	133,457	21,434	6,184	5,631	6,305
International Bonds	5,204	3,443	-	332	1,429	-	-	-
Mortgages	125,282	104,007	-	-	-	-	-	21,275
Asset Backed Securities	3,783	2,685	175	-	162	-	-	761
Commingled Funds	146,303	-	-	-	-	-	-	146,303
Short Term Investments	203,935	-	-	-	-	-	-	203,935
Municipal Bonds	2,323	845	1,311	-	167	-	-	-

FIDUCIARY FUND INVESTMENTS AT JUNE 30, 2008

	FAIR VALUE	QUALITY RATINGS						
		AAA	AA	A	BBB	BB	B	UNRATED
Govt Agency Securities	$ 22,788	$ 21,912	$ -	$ 196	$ 332	$ -	$ 348	$ -
Corporate Bonds	552,097	51,682	125,509	174,608	64,951	48,448	49,795	37,104
International Bonds	45,543	18,152	403	6,302	12,463	7,365	735	123
Mortgages	1,045,970	776,430	3,999	-	111	-	295	265,135
Asset Backed Securities	108,148	97,081	1,049	191	1,405	909	-	7,513
Commingled Funds	971,929	-	-	-	-	-	-	971,929
Short Term Investments	113,198	-	-	-	-	-	-	113,198
Municipal Bonds	13,060	6,473	4,584	1,429	574	-	-	-

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State has contracts with investment managers that limit the maximum amount for an issuer, excluding U.S. Treasury, U.S. Agency, mortgages and non-U.S. sovereign issuers, to 5 percent of the total account.

At June 30, 2008, the primary government, except fiduciary funds, had debt securities investments with more than 5 percent or more of total investments in Federal Farm Credit Bank (8 percent), Federal Home Loan Bank (9 percent), Federal Home Loan Mortgage Corporation (9 percent), and Federal National Mortgage Corporation (9 percent). Fiduciary funds had no investments that exceeded 5 percent or more of total investments.

Securities Lending Transactions. The State participates in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The State's primary custodial bank administers the securities lending program and receives cash, United States government or government agency obligations, sovereign debt rated A or better, or convertible bonds at least equal in value to the market value of the loaned securities as collateral for securities of the type on loan at year-end. At year-end, the State had no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. The collateral securities cannot be pledged or sold by the State unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year.

Either the State or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations of 41 and 42 days. Because loans were terminable at will, their duration did not generally match the duration of the investments

made with cash collateral. The custodian indemnifies the State against default by the borrower of securities, but does not indemnify against the default by an issuer of a security held in the short term investment funds where cash collateral is invested.

Derivative Financial Instruments. Derivative instruments are financial contracts whose underlying values depend on the values of one or more underlying assets, reference rates or financial indices. Over 75% of all such instruments are pension trust investments; the remaining are endowment investments. These instruments are used primarily to enhance performance and reduce the volatility of the portfolio, in accordance with the Investment Council-approved Derivatives Policy. The State invests in futures contracts, options and swaps. Futures represent commitments to purchase or sell securities or money market instruments at a future date and at a specific price. Options represent the right, but not the obligation, to purchase or sell securities at a future date and at a specific price. The State invests in these contracts related to securities of the U.S. Government or Government Agency obligations based on reference notes, which are traded on organized exchanges, thereby minimizing the State's credit risk. The net change in the contract value is settled daily in cash with the exchanges. Swaps represent an exchange of streams of payments over time according to specified terms.

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2008, is as follows:

Disclosure Regarding Deposits and Investments:	
Total Investments	$ 14,967,683
Carrying amount of Deposits	125,533
Total	$ 15,093,216
Statement of Net Assets:	
Cash and Cash Equivalents	$ 478,056
Investments	2,852,330
Restricted Cash and Cash Equivalents	19,323
Securities Lending Collateral	457,187
Statement of Fiduciary Net Assets:	
Cash and Cash Equivalents	122,326
Investments	10,821,738
Securities Lending Collateral	342,256
Total	$ 15,093,216

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The State does not have a formal policy to limit foreign currency risk. Primary Government exposure to foreign currency risk is presented on the following tables.

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES FOREIGN CURRENCY AT JUNE 30, 2008

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Australian Dollar	$ 8	$ 497	$ -
Brazilian Real	(1,519)	-	153
Canadian Dollar	12	48	77
Danish Krone	-	94	-
Euro Currency	(110)	6,285	4,331
Hong Kong Dollar	-	510	-
Iceland Krona	-	-	256
Indonesian Rupiah	-	102	115
Israeli Shekel	-	152	-
Japanese Yen	31	2,858	-
Malaysian Ringgit	-	-	310
Mexican Peso	(122)	732	416
New Zeland Dollar	-	-	86
Norwegian Krone	-	26	-
Polish Zloty	-	6	-
Pound Sterling	55	1,760	-
Singapore Dollar	-	546	279
South Korean Won	13	877	213
Swedish Krona	-	34	-
Swiss Franc	-	1,514	-
Thailand Baht	2	57	-
Total	$ (1,630)	$ 16,098	$ 6,236

FIDUCIARY FUND FOREIGN CURRENCY AT JUNE 30, 2008

Currency	SHORT TERM INVESTMENTS	EQUITY SECURITIES	DEBT SECURITIES
Argentine Peso	$ 15	$ -	$ -
Australian Dollar	517	4,107	-
Brazilian Real	(6,409)	1,593	1,337
Canadian Dollar	65	75	433
Danish Krone	33	2,402	-
Euro Currency	37	106,789	22,197
Hong Kong Dollar	1	6,335	-
Hungarian Forint	4	-	-
Iceland Krona	-	-	1,537
Indonesian Rupiah	2	359	287
Israeli Shekel	-	46	-
Japanese Yen	2,741	38,879	5,666
Malaysian Ringgit	-	-	2,111
Mexican Peso	(518)	7,620	2,711
New Zeland Dollar	1	-	569
Norwegian Krone	260	-	-
Philippine Peso	2	-	-
Polish Zloty	1	203	-
Pound Sterling	168	28,615	144
Singapore Dollar	43	2,914	2,092
South Korean Won	222	14,793	851
Swedish Krona	36	1,700	-
Swiss Franc	82	25,122	-
Thailand Baht	7	644	-
Total	$ (2,690)	$ 242,196	$ 39,935

3. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 518,781	$ 7,672	$ -	$ 526,453
Infrastructure	6,525,148	126,349	-	6,651,497
Construction in progress	76,182	30,043	38,208	68,017
Total capital assets, not being depreciated	7,120,111	164,064	38,208	7,245,967
Capital assets, being depreciated:				
Buildings and improvements	454,826	40,946	2,084	493,688
Equipment	358,594	32,110	16,441	374,263
Total capital assets, being depreciated	813,420	73,056	18,525	867,951
Less accumulated depreciation for:				
Buildings and improvements	220,753	12,919	1,797	231,875
Equipment	248,347	31,127	13,812	265,662
Total accumulated depreciation	469,100	44,046	15,609	497,537
Total capital assets, being depreciated, net	344,320	29,010	2,916	370,414
Governmental activities capital assets, net	$ 7,464,431	$ 193,074	$ 41,124	$ 7,616,381
Business-type activities:				
Unemployment Insurance				
Equipment, being depreciated	$ 809	$ 76	$ -	$ 885
Less accumulated depreciation	575	195	-	770
Total Unemployment Insurance, net	234	(119)	-	115
Nonmajor Enterprise Funds				
Capital assets, not being depreciated:				
Land	315	-	-	315
Total capital assets, not being depreciated	315	-	-	315
Capital assets, being depreciated:				
Buildings and improvements	5,195	556	-	5,751
Equipment	4,494	345	96	4,743
Total capital assets, being depreciated	9,689	901	96	10,494
Less accumulated depreciation for:				
Buildings and improvements	1,250	137	-	1,387
Equipment	2,910	297	96	3,111
Total accumulated depreciation	4,160	434	96	4,498
Total capital assets, being depreciated, net	5,529	467	-	5,996
Total Nonmajor Enterprise, net	5,844	467	-	6,311
Business-type activities capital assets, net	$ 6,078	$ 348	$ -	$ 6,426

Current period depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General Government	$ 13,980
Conservation of Natural Resources	1,650
Culture – Recreation	1,964
Economic Development and Assistance	390
Education	1,000
Health and Social Services	749
Public Safety	8,712
Regulation of Business and Professions	271
Transportation	15,330
Total depreciation expense - Governmental activities	$ 44,046

Construction Commitments. At June 30, 2008, the State had contractual commitments of approximately $561,002 for various highway and building projects. Funding of these future expenditures is expected to be provided as follows:

Federal funds	$ 123,352
State funds	399,417
Local funds	38,233
	$ 561,002

Most of these commitments will not be reflected as capital asset increases when they are paid because the State is using the modified approach to account for infrastructure. Under this method, capital asset additions are only reflected when improvements expand the capacity or efficiency of an asset.

4. Interfund Balances

Due To/From Other Funds at June 30, 2008, consists of the following:

	DUE TO								
DUE FROM	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	TOTALS
General Fund	$ -	$ 238	$ 42	$ 568	$ 2,521	$ 329	$ 30,036	$ 19,332	$ 53,066
Highway Fund	2	-	233	1	37	144	5,106	8	5,531
Federal Fund	69,776	47	-	5,669	2,801	85	2,797	-	81,175
Health and Social Services	3	-	1,100	-	15	9	1,405	-	2,532
Permanent School Fund	-	-	-	-	-	-	15	-	15
Nonmajor Governmental Funds	4,142	53	75	-	47	71	3,787	530	8,705
Nonmajor Enterprise Funds	-	36	-	-	-	-	127	-	163
Internal Service Funds	4,668	478	9	13	213	5	965	-	6,351
Fiduciary Funds	-	-	-	-	36	-	149	-	185
TOTALS	$ 78,591	$ 852	$ 1,459	$ 6,251	$ 5,670	$ 643	$ 44,387	$ 19,870	$ 157,723

Interfund receivables and payables are recorded for: (1) short term borrowings, (2) billing for services provided between agencies, (3) pension liabilites, and (4) risk management liabilities. All interfund receivables and payables are considered short term in nature, except for $32,400 due from the General Fund, Highway Fund, Health and Social Services, and Nonmajor Governmental Funds to internal service funds for workers compensation liability.

Interfund transfers at June 30, 2008, consist of the following:

	TRANSFERRED TO:					
TRANSFERRED FROM:	General Fund	Highway Fund	Federal Fund	Health and Social Services	Nonmajor Governmental Funds	TOTALS
General Fund	$ -	$ -	$ -	$ -	$ 147,039	$ 147,039
Highway Fund	-	-	-	-	9,400	9,400
Federal Fund	-	-	-	-	10,933	10,933
Health & Social Services Fund	1,539	-	-	-	504	2,043
Nonmajor Governmental Funds	19,562	25,731	9	130	8,131	53,563
Nonmajor Enterprise Funds	-	-	-	805	30,203	31,008
TOTALS	$ 21,101	$ 25,731	$ 9	$ 935	$ 206,210	$ 253,986

Transfers are used to (1) move revenues from the fund that statutes require to collect them to the fund that statutes require to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move profits from the State Lottery Fund as required by law.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as presented in the financial statements at June 30, 2008, consists of the following:

	General Fund	Highway Fund	Federal Fund	Health and Social Services	Permanent School Fund	Nonmajor Governmental Funds	Other Funds	Unemployment Insurance	Nonmajor Enterprise Funds	TOTALS
Payroll and Withholdings	$ 16,280	$ 7,772	$ 6,090	$ 1,009	$ -	$ 2,020	$ 1,864	$ 3	$ 324	$ 35,362
Payables and Accruals	70,618	53,281	101,724	7,022	43,728	28,944	15,857	1,584	18,544	341,302
Due to Fiduciary Funds *	-	-	-	-	-	-	19,870	-	-	19,870
Miscellaneous	-	6,166	-	-	-	227	3	45	-	6,441
TOTALS	$ 86,898	$ 67,219	$ 107,814	$ 8,031	$ 43,728	$ 31,191	$ 37,594	$ 1,632	$ 18,868	$ 402,975

* This amount represents amounts due to fiduciary funds, which were classified as external payables on the government-wide Statement of Net Assets.

6. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2008, are summarized as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Claims Payable	$ 278,836	$ 1,625,893	$ 1,628,175	$ 276,554	$ 219,625
Bonds Payable	15,240	-	4,405	10,835	5,985
Capital Lease Obligations	22,072	4,203	6,766	19,509	7,521
Obligations Under Other Financing Arrangements	13,805	2,790	1,810	14,785	1,090
Compensated Absences	117,779	15,294	10,861	122,212	8,555
Totals	$ 447,732	$ 1,648,180	$ 1,652,017	$ 443,895	$ 242,776
Business-type Activities:					
Unemployment Insurance:					
Claims Payable	$ 8,687	$ 98,589	$ 91,894	$ 15,382	$ 15,382
Compensated Absences	14	5	3	16	1
Totals for Unemployment Insurance	8,701	98,594	91,897	15,398	15,383
Nonmajor Enterprise Funds:					
Claims Payable	42,200	-	10,500	31,700	9,904
Compensated Absences	623	111	44	690	49
Totals for Nonmajor Enterprise Funds	42,823	111	10,544	32,390	9,953
Totals for Business-type Activities	$ 51,524	$ 98,705	$ 102,441	$ 47,788	$ 25,336

The amount of claims payable reported in the fund financial statements are due and payable at fiscal year end. Claims payable, compensated absences and capital lease obligations typically have been liquidated in the general, special revenue and internal service funds. Bonds payable and obligations under other financing arrangements have been liquidated in the special revenue funds.

7. Bonds Payable

Article XIII of the State's Constitution prohibits the State from incurring debt in excess of one hundred thousand dollars. However, there is a provision in the State's Constitution that permits the issuance of revenue bonds for: (1) construction of highways; and (2) construction of water conservation and management structures. At June 30, 2008, there was no outstanding debt for either of these purposes.

The State created the NETC Leasing Corporation for the purpose of acquiring property to be leased to and purchased by the State. In February 2000, the NETC Leasing Corporation issued $22,515 of lease rental revenue bonds to construct and acquire digital television facilities and equipment and related facilities. In May 2002, the NETC Leasing Corporation issued $9,850 of lease rental revenue bonds to renovate facilities. The NETC Leasing Corporation is not subject to State constitutional restrictions on the incurrence of debt,

which may apply to the State itself. The obligations outstanding at June 30, 2008 are collateralized by the revenues of the NETC Leasing Corporation, which consist primarily of rental paid by the State.

The State created the Nebraska State Building Corporation (NSBC) to finance the purchase of a building used by the State for its data processing and general services operations. In September 1987, the NSBC issued $7,700 of lease revenue bonds to finance the purchase of the building. In June 1992, the NSBC issued $7,645 of lease revenue bonds to refund the 1987 bonds. In June 2002, the NSBC issued $4,155 of lease revenue bonds to refund the 1992 bonds. The NSBC is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The obligations outstanding at June 30, 2008 are collateralized by the revenues of the NSBC, which consist primarily of building rental paid by the State.

The component units issue bonds for various purposes including student housing, parking facilities and special event centers. Net revenues from student housing and dining facilities, special student fees and parking facilities fees are pledged to secure the appropriate issues.

All outstanding bond issues of the University of Nebraska Facilities Corporation and the Nebraska State College Facilities Corporation are general obligations of these corporations. They are separate legal entities that are not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself.

BONDS PAYABLE	DATES ISSUED	MATURITY DATES	INTEREST RATES	BALANCE JUNE 30, 2008
PRIMARY GOVERNMENT				
NETC Leasing Corporation Issue	2000,2002	Through 2010	2.70%-6.00%	$ 9,880
Nebraska State Building Corporation Issue	2002	Through 2009	1.50%-3.85%	955
Primary Government Total				$ 10,835
COMPONENT UNITS				
University of Nebraska	1998-2008	Through 2039	2.40%-5.25%	$ 594,220
Nebraska State Colleges	1999-2006	Through 2028	1.60%-5.05%	44,580
Component Units Total				$ 638,800

PRIMARY GOVERNMENT
DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	5,985	584	6,569
2010	4,850	291	5,141
Total	$ 10,835	$ 875	$ 11,710

COMPONENT UNITS
DEBT SERVICE REQUIREMENTS TO MATURITY

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	34,750	28,945	63,695
2010	51,185	27,463	78,648
2011	37,830	25,522	63,352
2012	44,770	23,820	68,590
2013	27,505	22,016	49,521
2014 - 2018	175,455	88,091	263,546
2019 - 2023	121,075	49,777	170,852
2024 - 2028	61,710	28,520	90,230
2029 - 2033	44,100	16,305	60,405
2034 - 2038	35,875	6,112	41,987
2039 - 2043	4,545	174	4,719
Total	$ 638,800	$ 316,745	$ 955,545

8. Lease Commitments

Capital and Operating Leases. The State leases land, office facilities, equipment, and other assets under both capital and operating leases. Although the lease terms may vary, all leases are subject to annual appropriation by the Legislature.

The minimum annual lease payments (principle and interest) and the present value of future minimum payments for capital leases as of June 30, 2008 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2009	$ 8,191
2010	5,699
2011	2,913
2012	1,506
2013	724
2014-2018	2,339
2019-2023	74
Total Minimum Payments	21,446
Less: Interest and executory costs	1,937
Present value of net minimum payments	$ 19,509

Capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of property and equipment under capital leases as of June 30, 2008:

	GOVERNMENTAL ACTIVITIES
Buildings	$ 7,070
Equipment	32,229
Less: accumulated depreciation	(19,412)
Carrying value	$ 19,887

The minimum annual lease payments for operating leases as of June 30, 2008 are as follows:

YEAR	GOVERNMENTAL ACTIVITIES
2009	$ 9,502
2010	5,297
2011	3,742
2012	1,394
2013	1,109
2014-2018	2,354
2019-2023	688
2024-2028	358
2029-2033	280
Total	$ 24,724

Primary Government operating lease payments for the year ended June 30, 2008 totaled $14,945.

Lessor Transactions. The State also is a lessor of property, primarily farm land leased by the Board of Educational Lands and Funds to farmers and ranchers. At June 30, 2008, the State owned approximately 1.3 million acres of land that was under lease. Under the terms of the leases, the annual payments are subject to change based on annual market analysis. Total rents of $28,636 were received under these and other lease agreements for the year ended June 30, 2008.

9. Obligations Under Other Financing Arrangements

The State has entered into special financing arrangements with certain public benefit corporations to fund certain grant programs. Under these arrangements, the State enters into an agreement with a public benefit corporation, the Nebraska Investment Finance Authority (NIFA), whereby NIFA issues bonds, the proceeds of which, along with federal capitalization grants, are used to provide loans to various municipalities and local units of government in Nebraska that qualify for such loans. Such loans are used for improvements to wastewater and drinking water treatment facilities. Funds to repay NIFA come from the municipalities and units of government to which the loans are given.

A summary of the future minimum contractual obligations including interest at rates from 2.5 percent to 5.70 percent is as follows:

YEAR	PRINCIPAL	INTEREST	TOTAL
2009	$ 1,090	$ 644	$ 1,734
2010	1,145	601	1,746
2011	1,185	553	1,738
2012	1,245	502	1,747
2013	1,290	447	1,737
2014-2018	6,860	1,239	8,099
2019-2023	1,970	164	2,134
Total	$ 14,785	$ 4,150	$ 18,935

10. Receivables

Receivables are reflected net of allowances for doubtful accounts. The following are such related allowances listed by major fund at June 30, 2008:

Governmental Activities:	
General Fund	$ 82,214
Federal Fund	14,666
Health and Social Services Fund	3,391
Total Governmental Activities	$ 100,271
Business-type Activities:	
Unemployment Insurance	$ 7,324
Total Business-type Activities	$ 7,324

Of the taxes and other receivables, $27,459 and $20,386, respectively, is not expected to be collected within 60 days of the fiscal year end. These amounts have been offset by deferred revenue in the General Fund and the Health and Social Services Fund. The majority of the loans receivable balance is not expected to be collected in the next year.

11. Pension Plans

Plans Administered by the Public Employees Retirement Board

The Public Employees Retirement Board (the Board), which consists of eight members, was created in 1971 to administer the Nebraska retirement plans then in existence. Those plans were the School, State Employees', Judges' and State Patrol plans. In October of 1973, the Board assumed the administration of the Nebraska Counties Retirement System. The plans have been created in accordance with Internal Revenue Code, Sections 401(a) and 414(h). Contribution and benefit provisions are established by State law and may only be amended by the State Legislature.

The Board prepares separate reports for the defined contribution plans and for the defined benefit plans. Copies of these reports that include financial statements and required supplementary information for the plans may be obtained by writing to Public Employees Retirement Systems, P.O. Box 94816, Lincoln, NE 68509-4816, or by calling 402-471-2053.

Basis of Accounting. The financial statements of the plans are prepared using the accrual basis of accounting, and are included as pension trust funds in the accompanying financial statements. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Plan Description and Funding Policy. By State law, there is to be an equitable allocation of expenses among the retirement systems administered by the Board, and all expenses shall be provided from the investment income earned by the various retirement funds. Following is a summary of each of these plans:

State Employees' Retirement. The single-employer plan became effective by statute on January 1, 1964. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered employees of the State. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the plan on and after January 1, 2003, become members of the cash balance benefit. The amounts presented in the accompanying financial statements for the State Employees' Retirement System are for the fiscal year ended December 31, 2007.

Participation in the plan is required for all permanent full-time employees upon employment. Each member contributes 4.8 percent of their compensation. The State matches a member's contribution at a rate of 156 percent.

As of December 31, 2007, there were 17,074 active members and 3,273 inactive members. Members contributed $29,496 and the State contributed $46,018 during the year ended December 31, 2007, which was equal to required contributions.

County Employees' Retirement. In 1973, the State Legislature brought the County Employees' Retirement System under the administration of the Board. This cost-sharing multiple-employer plan covers employees of 91 of the 93 counties and several county health districts. Douglas and Lancaster counties have separate retirement plans for their employees by State law. Prior to January 1, 2003, the plan consisted of a defined contribution plan. Effective January 1, 2003, a cash balance benefit was added to the County Employees Retirement Act. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The amounts presented in the accompanying financial statements for the County Employees' Retirement System are for the fiscal year ended December 31, 2007.

Participation in the plan is required of all full-time employees upon employment and of all full-time elected officials upon taking office. Part-time employees may elect voluntary participation upon reaching age 20. Part-time elected officials may exercise the option to join. County employees and elected officials contribute four and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with less than 85,000 inhabitants contribute an extra one percent, or a total of five and one half percent of their total compensation. Commissioned law enforcement personnel in participating counties with a population in excess of 85,000 inhabitants contribute an extra two percent, or a total of six and one half percent of their total compensation. The counties match a member's contribution at a rate of 150 percent.

As of December 31, 2007, there were 7,510 active members and 1,548 inactive members. Members contributed $9,746 and counties contributed $14,411 during the year ended December 31, 2007, which was equal to required contributions.

School Retirement. The School Retirement System is a cost-sharing multiple-employer defined benefit pension plan with 280 participating school districts.

All regular public school employees in Nebraska, other than those who have their own retirement plan, are members of the system. The benefits are based on both service and contributions or salary.

The State's contribution is based on an annual actuarial valuation. The employees' contribution was 7.83 percent of their total pay from September 1, 2006 through August 31, 2007 and 7.28 percent after August 31, 2007. The school district's contribution is 101 percent of the employees' contribution.

Judges' Retirement. The Judges' Retirement System is a single-employer defined benefit pension system. The membership includes judges and associate judges employed by the State for the Supreme Court, Court of Appeals, District Courts, Workers' Compensation Court, County Courts, and Juvenile Courts. Benefits are based on both service and final average salary. Benefits vest when the judge takes office.

Members' contributions, a portion of court fees collected, and the State's contribution, which is based on an annual actuarial valuation, fund the plan. The judges contribute between four and eight percent of their salary.

State Patrol Retirement. The State Patrol Retirement System is a single-employer defined benefit pension system for officers of the patrol. The benefits are based on a percentage of the final average salary multiplied by years of service, not to exceed 75 percent of the average salary. Participation is mandated upon employment.

Members are required to contribute thirteen percent of their monthly salary, and State Patrol contributes fifteen percent. The State's contribution is based on an annual actuarial valuation.

The following tables provide the schedules of funding progress, which present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits, and the primary actuarial assumptions used in the most recent actuarial reports for the defined benefit plans. Information presented for the cost-sharing plans is for the plan as a whole.

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL) (Excess of Assets over AAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll
State Cash Balance						
12/31/2007	$ 606,552	$ 586,830	$ (19,722)	103.4 %	$ 384,709	(5.1)%
12/31/2006	392,442	379,735	(12,707)	103.3	323,983	(3.9)
12/31/2005	342,730	300,852	(41,878)	113.9	238,874	(17.5)
County Cash Balance						
12/31/2007	$ 163,783	$ 151,557	$ (12,226)	108.1 %	$ 141,110	(8.7)%
12/31/2006	116,379	110,630	(5,749)	105.2	113,468	(5.1)
12/31/2005	99,464	84,817	(14,647)	117.3	88,144	(16.6)
School						
6/30/2008	$ 6,932,919	$ 7,654,536	$ 721,617	90.6 %	$ 1,389,125	51.9 %
6/30/2007	6,396,337	7,070,309	673,972	90.5	1,325,616	50.8
6/30/2006	5,739,049	6,584,275	845,226	87.2	1,247,684	67.7
Judges'						
6/30/2008	$ 119,962	$ 114,251	$ (5,711)	105.0 %	$ 17,990	(31.7)%
6/30/2007	111,006	103,704	(7,302)	107.0	17,004	(42.9)
6/30/2006	100,566	101,438	872	99.1	16,423	5.3
State Patrol						
6/30/2008	$ 273,394	$ 291,997	$ 18,603	93.6 %	$ 26,980	69.0 %
6/30/2007	254,663	265,847	11,184	95.8	26,073	42.9
6/30/2006	231,741	245,373	13,632	94.4	24,058	56.7

	STATE CASH BALANCE	COUNTY CASH BALANCE	SCHOOL RETIREMENT	JUDGES' RETIREMENT	STATE PATROL RETIREMENT
Actuarial Valuation Date	12/31/2007	12/31/2007	6/30/2008	6/30/2008	6/30/2008
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar amount, closed	Level dollar amount, closed	Level dollar amount, closed	Level dollar amount, closed	Level dollar amount, closed
Amortization Period	25 years	25 years	28 years	30 years	29 years
Asset Valuation Method	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial Assumptions:					
Investment Rate of Return **	7.8%	7.8%	8.0%	8.0%	8.0%
Projected Salary Increases **	4.5% to 5.9%	5.5% to 15.0%	4.5% to 7.5%	4.5%	4.5% to 9.0%

** Includes assumed inflation of 3.5% per year.

THREE - YEAR TREND INFORMATION

YEAR ENDED	ANNUAL PENSION COST (APC)	PERCENTAGE OF APC CONTRIBUTED	NET PENSION OBLIGATION
State Cash Balance			
12/31/2007	$22,921	100%	$ -
12/31/2006	16,672	100%	-
12/31/2005	14,885	100%	-
County Cash Balance			
12/31/2007	$ 8,195	100%	$ -
12/31/2006	6,245	100%	-
12/31/2005	5,521	100%	-
School			
6/30/2008	$15,833	100%	$ -
6/30/2007	15,220	100%	-
6/30/2006	28,057	100%	-
Judges'			
6/30/2008	$ 3,353	100%	$ -
6/30/2007	3,208	100%	-
6/30/2006	3,120	100%	-
State Patrol			
6/30/2008	$ 4,856	100%	$ -
6/30/2007	5,059	100%	-
6/30/2006	5,082	100%	-

12. Contingencies and Commitments

Grants and Contracts. The State participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State.

All State agencies including institutions of higher education are required to comply with various federal regulations issued by the U.S. Office of Management and Budget if such agency or institution is a recipient of federal grants, contracts, or other sponsored agreements. Certain agencies or institutions may not be in total compliance with these regulations. Failure to comply may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. Management believes that the ultimate disallowance pertaining to these regulations, if any, will not be material to the overall financial condition of the State.

Litigation. The State is named as a party in legal proceedings that occur in the normal course of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contract, condemnation proceedings and other alleged violations of State and Federal laws. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the State for these proceedings. It is the State's opinion that the ultimate liability for these and other proceedings is not expected to have a material adverse effect on the State's financial position.

The State also has been named as a party in legal proceedings that occur outside of the normal course of governmental operations. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State for all of these proceedings. The effects of this litigation, if any, will be reflected in future years, as the uncertainties regarding the litigation are determined.

The State is a party to a lawsuit relating to $37,000 of tobacco settlement money the State received in April 2004. It is not possible at the present time to determine the outcome of this lawsuit or its implications for potential similar future lawsuits.

13. Risk Management

Through Administrative Services, the State maintains insurance and self-insurance programs. Workers' compensation, employee health care, general liability and employee indemnification are generally self-insured. However, the State does carry surety bonds for constitutional officers and limited general liability on two buildings. Motor vehicle liability is insured with a $5,000 limit and a $300 retention per occurrence (the self-insured retention for vehicular pursuit is $1,000) and employee dishonesty is insured with a $1,000 limit with a $25 retention per incident. The State insures against property damage, maintaining a policy with a $250,000 limit and a $200 retention per occurrence. The State also carries some insurance for personal property damage. Settled claims have not exceeded this commercial insurance coverage in any of the past three years. Administrative Services provides life insurance for eligible State employees. These activities are reported in the Risk Management Internal Service Fund.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The balance of claims liabilities is determined by an analysis of past, current, and future estimated loss experience. Because actual claims liabilities depend on such factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability may not result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors, but do not include non- incremental claims adjustment expenses.

The liability for workers' compensation is recorded as a claims payable of $49,221 at a discounted rate of 3.5 percent ($9,310).

Changes in the balances of claims liabilities of the Risk Management Internal Service Fund during the years ended June 30, 2008, and 2007, were as follows:

	Fiscal Year 2008	2007
Beginning Balance	$ 62,707	$ 63,561
Current Year Claims and Changes in Estimates	182,155	171,153
Claim Payments	(180,842)	(172,007)
Ending Balance	$ 64,020	$ 62,707

14. Subsequent Event

The fair value of investments declined after June 30, 2008 due to changes in economic and market conditions. It is not known what impact, if any, the decline will have on future earnings.

REQUIRED SUPPLEMENTARY INFORMATION

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2008

(Dollars in Thousands)	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	$ 3,288,565	$ 3,306,379	$ 3,405,541	$ 99,162
Federal Grants and Contracts	(21)	(21)	(21)	-
Sales and Charges	22,812	22,812	22,812	-
Other	57,544	57,544	57,544	-
TOTAL REVENUES	3,368,900	3,386,714	3,485,876	99,162
EXPENDITURES:				
Current:				
General Government	260,029	251,874	237,472	14,402
Conservation of Natural Resources	44,366	50,909	32,182	18,727
Culture – Recreation	6,208	6,237	5,638	599
Economic Development and Assistance	9,864	9,871	7,070	2,801
Education	1,619,116	1,636,190	1,590,583	45,607
Health and Social Services	1,282,809	1,287,021	1,142,631	144,390
Public Safety	228,805	229,699	216,218	13,481
Regulation of Business and Professions	4,346	4,357	3,982	375
Transportation	19	19	16	3
TOTAL EXPENDITURES	3,455,562	3,476,177	3,235,792	240,385
Excess of Revenues Over (Under) Expenditures	(86,662)	(89,463)	250,084	339,547
OTHER FINANCING SOURCES (USES):				
Transfers In	287,527	287,527	287,527	-
Transfers Out	(519,160)	(519,160)	(519,160)	-
Other	329	329	329	-
TOTAL OTHER FINANCING SOURCES (USES)	(231,304)	(231,304)	(231,304)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(317,966)	(320,767)	18,780	339,547
FUND BALANCES, JULY 1	1,106,802	1,106,802	1,106,802	-
FUND BALANCES, JUNE 30	$ 788,836	$ 786,035	$ 1,125,582	$ 339,547

A reconciliation of the budgetary basis versus GAAP fund balance for the General Fund as of June 30, 2008, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2008	
General	$ 580,036
Cash Reserve	545,546
Budgetary fund balances	1,125,582
DIFFERENCES DUE TO BASIS OF ACCOUNTING:	
Record taxes receivable	307,328
Record tax refund liability	(302,275)
Record State contributions due pension funds	(19,331)
Record claims payable	(95,412)
Record other net accrued receivables and liabilities	(42,217)
GAAP fund balance, June 30, 2008	$ 973,675

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CASH FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	CASH FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	$ 110,160	$ 110,160	$ 110,160	$ -
Federal Grants and Contracts	315,438	315,438	315,438	-
Sales and Charges	410,691	410,691	410,691	-
Other	224,128	224,128	224,128	-
TOTAL REVENUES	1,060,417	1,060,417	1,060,417	-
EXPENDITURES:				
Current:				
General Government	191,316	206,362	185,397	20,965
Conservation of Natural Resources	93,075	100,272	52,020	48,252
Culture – Recreation	24,048	26,184	18,182	8,002
Economic Development and Assistance	63,605	64,238	22,211	42,027
Education	401,280	416,032	332,116	83,916
Health and Social Services	174,410	175,955	127,327	48,628
Public Safety	37,220	37,954	28,507	9,447
Regulation of Business and Professions	158,150	161,880	123,385	38,495
Transportation	687,241	723,978	655,986	67,992
Capital Projects	70,382	71,963	17,940	54,023
TOTAL EXPENDITURES	1,900,727	1,984,818	1,563,071	421,747
Excess of Revenues Over (Under) Expenditures	(840,310)	(924,401)	(502,654)	421,747
OTHER FINANCING SOURCES (USES):				
Transfers In	1,039,017	1,039,017	1,039,017	-
Transfers Out	(467,478)	(467,478)	(467,478)	-
Other	(2,174)	(2,174)	(2,174)	-
TOTAL OTHER FINANCING SOURCES (USES)	569,365	569,365	569,365	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(270,945)	(355,036)	66,711	421,747
FUND BALANCES, JULY 1	720,452	720,452	720,452	-
FUND BALANCES, JUNE 30	$ 449,507	$ 365,416	$ 787,163	$ 421,747

A reconciliation of the budgetary basis versus GAAP fund balance for the Major Funds as of June 30, 2008, follows (dollars in thousands):

Actual Fund Balances, budgetary basis, June 30, 2008	
Cash	$ 787,163
Construction	66,305
Federal	52,288
Revolving	$ 207,425
Budgetary fund balances	1,113,181
Unbudgeted fund balances	1,364,264
Non-major fund balances	(1,018,800)
Differences due to basis of accounting	(347,904)
GAAP fund balance, June 30, 2008	$ 1,110,741
Actual Fund Balances of Major Funds, June 30, 2008	
Highway	$ 158,185
Federal	6,160
Health and Social Services	483,052
Permanent School	463,344
GAAP fund balance, June 30, 2008	$ 1,110,741

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CONSTRUCTION FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	CONSTRUCTION FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Federal Grants and Contracts	-	-	-	-
Sales and Charges	-	-	-	-
Other	3,529	3,529	3,529	-
TOTAL REVENUES	3,529	3,529	3,529	-
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	-	-	-	-
Education	29,440	29,440	24,427	5,013
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	-	-	-	-
Transportation	-	-	-	-
Capital Projects	27,853	28,003	18,506	9,497
TOTAL EXPENDITURES	57,293	57,443	42,933	14,510
Excess of Revenues Over (Under) Expenditures	(53,764)	(53,914)	(39,404)	14,510
OTHER FINANCING SOURCES (USES):				
Transfers In	101,956	101,956	101,956	-
Transfers Out	-	-	-	-
Other	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	101,956	101,956	101,956	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	48,192	48,042	62,552	14,510
FUND BALANCES, JULY 1	3,753	3,753	3,753	-
FUND BALANCES, JUNE 30	$ 51,945	$ 51,795	$ 66,305	$ 14,510

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	FEDERAL FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Federal Grants and Contracts	2,108,831	2,108,831	2,108,831	-
Sales and Charges	14,698	14,698	14,698	-
Other	11,525	11,525	11,525	-
TOTAL REVENUES	2,135,054	2,135,054	2,135,054	-
EXPENDITURES:				
Current:				
General Government	7,175	7,470	4,735	2,735
Conservation of Natural Resources	51,823	57,154	36,791	20,363
Culture – Recreation	3,420	3,978	2,536	1,442
Economic Development and Assistance	90,323	90,854	56,187	34,667
Education	631,127	646,159	570,736	75,423
Health and Social Services	1,546,940	1,564,184	1,342,554	221,630
Public Safety	94,281	170,160	134,571	35,589
Regulation of Business and Professions	976	2,251	1,853	398
Transportation	-	-	-	-
Capital Projects	4,250	2,816	2,373	443
TOTAL EXPENDITURES	2,430,315	2,545,026	2,152,336	392,690
Excess of Revenues Over (Under) Expenditures	(295,261)	(409,972)	(17,282)	392,690
OTHER FINANCING SOURCES (USES):				
Transfers In	11,082	11,082	11,082	-
Transfers Out	(11,259)	(11,259)	(11,259)	-
Other	(2,536)	(2,536)	(2,536)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,713)	(2,713)	(2,713)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(297,974)	(412,685)	(19,995)	392,690
FUND BALANCES, JULY 1	72,283	72,283	72,283	-
FUND BALANCES, JUNE 30	$ (225,691)	$ (340,402)	$ 52,288	$ 392,690

See independent auditors' report

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
REVOLVING FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	REVOLVING FUNDS			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:				
Taxes	$ 2	$ 2	$ 2	$ -
Federal Grants and Contracts	2,753	2,753	2,753	-
Sales and Charges	465,914	465,914	465,914	-
Other	130,081	130,081	130,081	-
TOTAL REVENUES	598,750	598,750	598,750	-
EXPENDITURES:				
Current:				
General Government	202,891	203,094	150,976	52,118
Conservation of Natural Resources	-	-	-	-
Culture – Recreation	-	-	-	-
Economic Development and Assistance	485	483	449	34
Education	441,912	483,866	403,712	80,154
Health and Social Services	-	-	-	-
Public Safety	19,413	19,437	13,726	5,711
Regulation of Business and Professions	-	-	-	-
Transportation	2,718	2,718	596	2,122
Capital Projects	-	-	-	-
TOTAL EXPENDITURES	667,419	709,598	569,459	140,139
Excess of Revenues Over (Under) Expenditures	(68,669)	(110,848)	29,291	140,139
OTHER FINANCING SOURCES (USES):				
Transfers In	36,670	36,670	36,670	-
Transfers Out	(37,623)	(37,623)	(37,623)	-
Other	2,741	2,741	2,741	-
TOTAL OTHER FINANCING SOURCES (USES)	1,788	1,788	1,788	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(66,881)	(109,060)	31,079	140,139
FUND BALANCES, JULY 1	176,346	176,346	176,346	-
FUND BALANCES, JUNE 30	$ 109,465	$ 67,286	$ 207,425	$ 140,139

See independent auditors' report

Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, all State agencies, including the university and colleges, must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, subprograms, and activities. The Governor reviews the agency requests, establishes priorities, and presents the Legislature with one or more pieces of legislation covering the biennium. The Legislature holds hearings on the Governor's proposed budget, adopts changes and presents final legislation to the Governor. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The approved appropriations set spending limits by fund type for programs within each agency. These limits may include up to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the State Accounting Division of Administrative Services.

Appropriations are made for each fiscal year of the biennium; balances at the end of the first fiscal year are carried over into the second fiscal year, unless directed otherwise by the Legislature. For most appropriations, balances lapse at the end of the biennium.

The budgetary fund types used by the State differ from those presented in the basic financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources. Of these seven fund types, only the first five are subject to the spending limits set by the appropriations bills. The General Fund is the only major fund that corresponds to a budgetary fund type, so the General Fund is the only major fund that has a budget.

General Fund. To account for activities funded by general tax dollars, primarily sales and income taxes.

Cash Reserve Fund. This is part of the General Fund, and is used to account for financial resources to be used as a reserve for the General Fund if the General Fund balance should become inadequate to meet current obligations. The Cash Reserve Fund is part of the budgetary basis fund balance.

Cash Funds. To account for the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis, and to account for the revenues and expenditures related to highway construction.

Construction Funds. To account for financial resources to be used for the acquisition or construction of major capital facilities.

Federal Funds. To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts, except for federal highway monies accounted for in the Cash Funds.

Revolving Funds. To account for the financing of goods or services provided by one State agency to another State agency on a cost-reimbursement basis.

Trust Funds. To account for assets held in a trustee capacity.

Distributive Funds. To account for assets held as an agent for individuals, private organizations, and other governments and/or other funds.

The accompanying basic financial statements were prepared by converting budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, construction, federal and revolving fund types are made pursuant to appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may allocate appropriations between object of expenditure accounts, except that personal service expenditures that exceed limitations contained in the appropriations bill require Legislative amendment. Any changes in appropriations are made through an annual deficit bill or other legislation. Appropriations from the federal fund type are considered to be estimated and the Legislature has approved an administrative procedure for changing them. During fiscal year 2008, the Legislature passed deficit appropriation bills that increased the allowable expenditure level in several of the programs.

For the year ended June 30, 2008, there were no budgetary programs in which expenditures exceeded appropriations. Revenues are not budgeted for any funds except for General Fund tax revenues.

State of Nebraska

REQUIRED SUPPLEMENTARY INFORMATION
INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

For the Year Ended June 30, 2008

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 10,000 miles of highway and bridges the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Measurement Scale

The Nebraska Department of Roads uses the Nebraska Serviceability Index (NSI) to measure and monitor pavement conditions. The NSI is a numerical pavement rating scale used to monitor the condition on a scale ranging from 0 to 100 with 0 being the worst and 100 being the best. NSI represents the condition of the pavement at the time of measurement and is based on pavement's surface distresses. Surface distresses include cracking, patching, roughness, rutting, and faulting.

Established Condition Level

It is the policy of the Nebraska Department of Roads to maintain at least an overall NSI system rating of 72 or above.

Assessed Condition

The State assesses conditions on a calendar year basis. The following table reports the percentage of pavements meeting ratings of "Very Good", "Good", "Fair", and "Poor". This condition index is used to classify roads in very good (90-100), good (70-89), fair (50-69), and poor (0-49).

Calendar Year	2007	2006	2005	2004	2003	2002
Very Good	33%	42%	39%	39%	40%	38%
Good	49%	38%	46%	46%	44%	43%
Fair	17%	19%	12%	12%	14%	16%
Poor	1%	1%	3%	3%	2%	3%
Overall System Rating	82	83	84	83	83	83

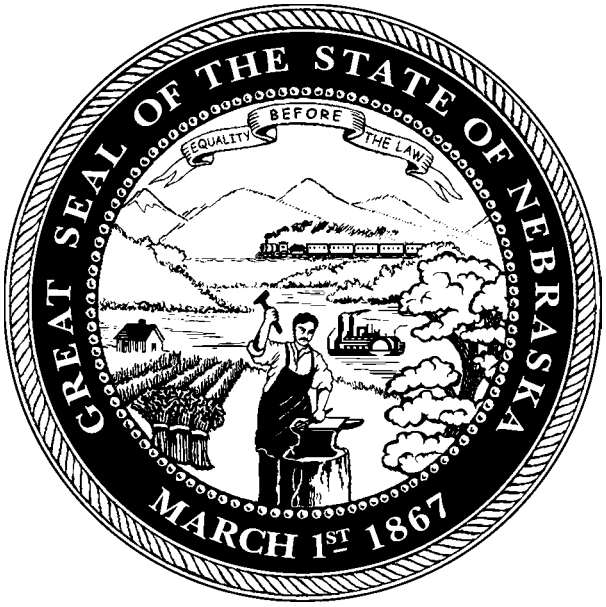
Estimated and Actual Costs to Maintain

The following table presents the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level cited above, and the actual amount spent during the past fiscal years (amounts in millions). Beginning in Fiscal Year 2005, a newly developed Pavement Optimization Program was used to calculate the annual amount required to maintain the highway system at a NSI of 72 by performing a cost-benefit analysis of various improvement strategies by pavement section. This has resulted in a lower estimated annual cost. However, the actual cost of system preservation is greater than estimated as a result of maintaining the system at a NSI level higher than the base level established for GASB-34 purposes (72 base versus 82 actual).

Fiscal Year	2009	2008	2007	2006	2005	2004
Estimated	$ 206	$ 155	$ 148	$ 125	$ 123	$ 179
Actual		208	167	214	221	200
Difference		53	19	89	98	21

See independent auditors' report

COMBINING FINANCIAL STATEMENTS



GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Licensing and Regulation. This fund accounts for all activities of agencies, boards, and commissions whose primary function is licensing individuals and regulating industry and professions. This includes a diverse group of professions such as abstracters, medical professions, barbers, engineers, architects and accountants.

Economic Development. This fund accounts for activities to develop and promote the growth of industry, agriculture, commerce and tourism, and utilization of resources within Nebraska.

Airport Development. This fund accounts for the activities relating to aircraft fuels tax, which is administered by the Department of Aeronautics for the support and maintenance of public airports.

Game and Parks. This fund accounts for the activities related to the Nebraska Game and Parks Commission, which is responsible for the development and preservation of the fish and wildlife resources of Nebraska, and operation and administration of the State park system.

Environmental Quality. This fund accounts for the activities related to the Department of Environmental Quality, which is responsible for the protection of Nebraska's air, land, and water resources.

Energy Conservation. This fund accounts for activities relating to the oil and gas severance taxes as well as energy conservation and development activities. The State Energy Office is responsible for providing technical assistance on energy conservation and development, distributing funds for the school weatherization program, and administering and distributing federal funds provided to the State in the area of energy efficiency.

State Building Corporation. This fund accounts for the activities of a blended component unit.

NETC Leasing Corporation. This fund accounts for the activities of a blended component unit.

Other Special Revenue. This fund accounts for various other revenues that must be used for specific purposes.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for construction of buildings financed with tax dollars.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Aeronautics Trust Fund. This fund receives proceeds from the sale of state-owned airfields. Investment income is used to pay for expenses of the Department of Aeronautics.

Nebraska Veterans' Aid Fund. This fund accounts for the investment activity of a General Fund contribution made in a prior year. Earnings on the investment are used to provide emergency financial assistance to eligible veterans and dependents.

Permanent Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income on these funds is used for support and maintenance of the University.

Agriculture Endowment Fund. This fund receives the proceeds of sales of land and investments endowed to the University's Agriculture College by the Federal Government. This fund is under the control of the Board of Educational Lands and Funds, which is a part of the primary government. Income from this fund is used for support and maintenance of the College of Agriculture and Natural Resources.

Other Permanent Funds. Normal School Endowment, J.J. Soukup, and Miscellaneous Permanent Trust.

State of Nebraska

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
ASSETS:				
Cash and Cash Equivalents	$ 20,268	$ 4,389	$ 2,626	$ 27,283
Cash on Deposit with Fiscal Agents	19,323	-	-	19,323
Investments	409,257	121,256	39,118	569,631
Securities Lending Collateral	80,531	24,256	4,585	109,372
Receivables, net of allowance				
Taxes	184	-	-	184
Due from Federal Government	779	142	-	921
Loans	249,154	9	-	249,163
Other	12,368	1,852	7,927	22,147
Due from Other Funds	5,665	5	-	5,670
Prepaid Items	100	-	-	100
Other	967	1,220	-	2,187
TOTAL ASSETS	$ 798,596	$ 153,129	$ 54,256	$ 1,005,981
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 20,653	$ 7,105	$ 3,433	$ 31,191
Due to Other Governments	106	-	-	106
Deposits	1,416	-	-	1,416
Due to Other Funds	8,632	73	-	8,705
Obligations under Securities Lending	80,531	24,256	4,585	109,372
TOTAL LIABILITIES	111,338	31,434	8,018	150,790
FUND BALANCES:				
Reserved for:				
Long-Term Receivables	249,154	9	-	249,163
Inventories and Prepaid Items	100	-	-	100
Debt Service	10,455	-	-	10,455
Endowment Principal	-	-	19,565	19,565
Unreserved	427,549	121,686	26,673	575,908
TOTAL FUND BALANCES	687,258	121,695	46,238	855,191
TOTAL LIABILITIES AND FUND BALANCES	$ 798,596	$ 153,129	$ 54,256	$ 1,005,981

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)

	SPECIAL REVENUE	CAPITAL PROJECTS	PERMANENT FUNDS	TOTALS
REVENUES:				
Sales and Use Taxes	$ 3,637	$ -	$ -	$ 3,637
Petroleum Taxes	14,344	-	-	14,344
Excise Taxes	41,727	9,163	-	50,890
Business and Franchise Taxes	18,295	-	-	18,295
Other Taxes	7,699	-	-	7,699
Federal Grants and Contracts	32,414	2,014	-	34,428
Licenses, Fees and Permits	116,465	-	-	116,465
Charges for Services	33,117	85	-	33,202
Investment Income	27,679	8,027	231	35,937
Rents and Royalties	11,845	14,062	-	25,907
Surcharge	53,329	-	-	53,329
Other	26,586	-	-	26,586
TOTAL REVENUES	387,137	33,351	231	420,719
EXPENDITURES:				
Current:				
General Government	67,570	-	19	67,589
Conservation of Natural Resources	55,503	-	-	55,503
Culture – Recreation	18,186	-	-	18,186
Economic Development and Assistance	23,515	-	-	23,515
Education	11,496	-	161	11,657
Higher Education - Colleges and University	-	33,531	-	33,531
Health and Social Services	838	-	892	1,730
Public Safety	30,669	-	-	30,669
Regulation of Business and Professions	124,430	-	-	124,430
Transportation	19,110	-	129	19,239
Capital Projects	-	27,289	-	27,289
Debt Service:				
Principal	6,215	-	-	6,215
Interest	1,459	-	-	1,459
TOTAL EXPENDITURES	358,991	60,820	1,201	421,012
Excess of Revenues Over (Under) Expenditures	28,146	(27,469)	(970)	(293)
OTHER FINANCING SOURCES (USES):				
Transfers In	104,254	101,956	-	206,210
Transfers Out	(48,644)	(4,585)	(334)	(53,563)
Proceeds from Other Financing Arrangements	2,790	-	-	2,790
TOTAL OTHER FINANCING SOURCES (USES)	58,400	97,371	(334)	155,437
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	86,546	69,902	(1,304)	155,144
FUND BALANCES, JULY 1	600,712	51,793	47,542	700,047
FUND BALANCES, JUNE 30	$ 687,258	$ 121,695	$ 46,238	$ 855,191

State of Nebraska

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

June 30, 2008

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT	GAME AND PARKS
ASSETS:				
Cash and Cash Equivalents	$ 3,555	$ 2,593	$ 5,298	$ 2,735
Cash on Deposit with Fiscal Agents	-	-	-	-
Investments	96,141	67,066	-	64,623
Securities Lending Collateral	19,232	13,416	-	12,811
Receivables, net of allowance:				
Taxes	17	-	131	-
Due from Federal Government	-	-	-	734
Loans	-	144	2,877	-
Other	3,850	1,999	92	1,609
Due from Other Funds	3	-	30	665
Prepaid Items	4	-	4	49
Other	-	965	-	-
TOTAL ASSETS	$ 122,802	$ 86,183	$ 8,432	$ 83,226
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 4,999	$ 1,082	$ 137	$ 6,348
Due to Other Governments	11	-	-	4
Deposits	444	965	-	-
Due to Other Funds	262	35	14	982
Obligations under Securities Lending	19,232	13,416	-	12,811
TOTAL LIABILITIES	24,948	15,498	151	20,145
FUND BALANCES:				
Reserved for:				
Long-Term Receivables	-	144	2,877	-
Inventories and Prepaid Items	4	-	4	49
Debt Service	-	-	-	-
Unreserved	97,850	70,541	5,400	63,032
TOTAL FUND BALANCES	97,854	70,685	8,281	63,081
TOTAL LIABILITIES AND FUND BALANCES	$ 122,802	$ 86,183	$ 8,432	$ 83,226

ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
$ 1,997	$ 655	$ -	$ -	$ 3,435	$ 20,268
9,438	-	579	3,931	5,375	19,323
57,706	18,067	-	-	105,654	409,257
11,010	3,614	-	-	20,448	80,531
36	-	-	-	-	184
-	-	-	-	45	779
223,868	13,690	-	-	8,575	249,154
836	278	2	232	3,470	12,368
-	-	-	-	4,967	5,665
-	-	-	19	24	100
-	-	-	-	2	967
$ 304,891	$ 36,304	$ 581	$ 4,182	$ 151,995	$ 798,596
$ 339	$ 6	$ -	$ 2	$ 7,740	$ 20,653
-	-	-	-	91	106
-	-	-	-	7	1,416
6	23	-	-	7,310	8,632
11,010	3,614	-	-	20,448	80,531
11,355	3,643	-	2	35,596	111,338
223,868	13,690	-	-	8,575	249,154
-	-	-	19	24	100
9,438	-	581	218	218	10,455
60,230	18,971	-	3,943	107,582	427,549
293,536	32,661	581	4,180	116,399	687,258
$ 304,891	$ 36,304	$ 581	$ 4,182	$ 151,995	$ 798,596

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)

	LICENSING AND REGULATION	ECONOMIC DEVELOPMENT	AIRPORT DEVELOPMENT	GAME AND PARKS
REVENUES:				
Sales and Use Taxes	$ -	$ 3,637	$ -	$ -
Petroleum Taxes	11,539	857	1,601	-
Excise Taxes	8,910	26,015	-	1,309
Business and Franchise Taxes	4,190	172	-	-
Other Taxes	-	-	-	-
Federal Grants and Contracts	23	108	15,903	11,014
Licenses, Fees and Permits	56,732	96	4	21,987
Charges for Services	2,019	202	680	4,405
Investment Income	6,799	4,053	236	4,144
Rents and Royalties	-	-	754	9,037
Surcharge	53,329	-	-	-
Other	9,205	486	22	653
TOTAL REVENUES	152,746	35,626	19,200	52,549
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Conservation of Natural Resources	-	-	-	39,350
Culture – Recreation	-	-	-	17,092
Economic Development and Assistance	-	22,743	-	-
Education	-	-	-	-
Health and Social Services	-	-	-	-
Public Safety	-	-	-	-
Regulation of Business and Professions	123,670	-	-	-
Transportation	-	-	19,110	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	123,670	22,743	19,110	56,442
Excess of Revenues Over (Under) Expenditures	29,076	12,883	90	(3,893)
OTHER FINANCING SOURCES (USES):				
Transfers In	2,529	29,925	334	13,576
Transfers Out	(16,016)	(25,751)	-	-
Proceeds from Bond Issuance	-	-	-	-
Proceeds from Other Financing Arrangements	-	-	-	-
Proceeds from Capital Leases	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(13,487)	4,174	334	13,576
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	15,589	17,057	424	9,683
FUND BALANCES, JULY 1	82,265	53,628	7,857	53,398
FUND BALANCES, JUNE 30	$ 97,854	$ 70,685	$ 8,281	$ 63,081

ENVIRONMENTAL QUALITY	ENERGY CONSERVATION	STATE BUILDING CORPORATION	NETC LEASING CORPORATION	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ -	$ -	$ -	$ 3,637
-	300	-	-	47	14,344
2,476	-	-	-	3,017	41,727
1,578	-	-	-	12,355	18,295
-	-	-	-	7,699	7,699
-	21	-	-	5,345	32,414
6,212	-	-	-	31,434	116,465
-	17	-	-	25,794	33,117
3,941	1,308	30	161	7,007	27,679
-	-	621	-	1,433	11,845
-	-	-	-	-	53,329
7,233	82	-	-	8,905	26,586
21,440	1,728	651	161	103,036	387,137
-	-	2	-	67,568	67,570
11,297	711	-	-	4,145	55,503
-	-	-	-	1,094	18,186
-	-	-	-	772	23,515
-	-	-	228	11,268	11,496
-	-	-	-	838	838
-	-	-	-	30,669	30,669
-	-	-	-	760	124,430
-	-	-	-	-	19,110
1,810	-	575	3,830	-	6,215
652	-	51	756	-	1,459
13,759	711	628	4,814	117,114	358,991
7,681	1,017	23	(4,653)	(14,078)	28,146
10,926	-	-	4,585	42,379	104,254
(30)	-	-	-	(6,847)	(48,644)
-	-	-	-	-	-
2,790	-	-	-	-	2,790
-	-	-	-	-	-
13,686	-	-	4,585	35,532	58,400
21,367	1,017	23	(68)	21,454	86,546
272,169	31,644	558	4,248	94,945	600,712
$ 293,536	$ 32,661	$ 581	$ 4,180	$ 116,399	$ 687,258

State of Nebraska

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS

June 30, 2008

(Dollars in Thousands)

	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
ASSETS:						
Cash and Cash Equivalents	$ -	$ 2,212	$ 312	$ 91	$ 11	$ 2,626
Investments	6,367	29,723	814	1,791	423	39,118
Securities Lending Collateral	2,998	1,403	38	85	61	4,585
Other Receivables, net of allowance	71	7,171	200	431	54	7,927
TOTAL ASSETS	$ 9,436	$ 40,509	$ 1,364	$ 2,398	$ 549	$ 54,256
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable and Accrued Liabilities	$ -	$ 3,074	$ 104	$ 228	$ 27	$ 3,433
Obligations under Securities Lending	2,998	1,403	38	85	61	4,585
TOTAL LIABILITIES	2,998	4,477	142	313	88	8,018
FUND BALANCES:						
Reserved for Endowment Principal	6,195	12,000	503	722	145	19,565
Unreserved	243	24,032	719	1,363	316	26,673
TOTAL FUND BALANCES	6,438	36,032	1,222	2,085	461	46,238
TOTAL LIABILITIES AND FUND BALANCES	$ 9,436	$ 40,509	$ 1,364	$ 2,398	$ 549	$ 54,256

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR PERMANENT FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	AERONAUTICS TRUST	NEBRASKA VETERANS AID	PERMANENT ENDOWMENT	AGRICULTURE ENDOWMENT	OTHER	TOTALS
REVENUES:						
Investment Income	$ 714	$ (461)	$ 2	$ (29)	$ 5	$ 231
TOTAL REVENUES	714	(461)	2	(29)	5	231
EXPENDITURES:						
General Government	-	-	-	-	19	19
Education	-	-	47	103	11	161
Health and Social Services	-	892	-	-	-	892
Transportation	129	-	-	-	-	129
TOTAL EXPENDITURES	129	892	47	103	30	1,201
Excess of Revenues Over (Under) Expenditures	585	(1,353)	(45)	(132)	(25)	(970)
OTHER FINANCING SOURCES (USES):						
Transfers Out	(334)	-	-	-	-	(334)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	251	(1,353)	(45)	(132)	(25)	(1,304)
FUND BALANCES, JULY 1	6,187	37,385	1,267	2,217	486	47,542
FUND BALANCES, JUNE 30	$ 6,438	$ 36,032	$ 1,222	$ 2,085	$ 461	$ 46,238

GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are maintained to account for operations that are financed and operated in a manner similar to private business enterprises—where the costs of providing goods and services to the general public are financed primarily through user charges.

Lottery Fund. This fund accounts for all receipts and expenses from the operations of the State Lottery.

Excess Liability Fund. This fund accounts for the activity resulting from implementation of the Nebraska Hospital-Medical Liability Act. Revenues are primarily insurance premiums from certain health care providers and a surcharge levied on all participating health care providers in Nebraska. Expenses from the fund are used to pay judgments against participating health care providers, up to a limit of $1,750,000 per occurance.

Cornhusker State Industries. The activities of Cornhusker State Industries in the Department of Correctional Services are accounted for in this fund. One of the main activities is making furniture.

State of Nebraska

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS

June 30, 2008

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
ASSETS				
CURRENT ASSETS:				
Cash and Cash Equivalents	$ 7,719	$ 4,858	$ 6,150	$ 18,727
Receivables, net of allowance	5,126	25,668	770	31,564
Due from Other Funds	-	-	643	643
Inventories	-	-	1,961	1,961
Prepaid Items	531	-	-	531
TOTAL CURRENT ASSETS	13,376	30,526	9,524	53,426
NONCURRENT ASSETS:				
Restricted Long-Term Deposits	1,769	-	-	1,769
Long-Term Investments	-	50,557	-	50,557
Securities Lending Collateral	-	2,712	-	2,712
Capital Assets:				
Land	-	-	315	315
Buildings and Equipment	422	-	10,072	10,494
Less Accumulated Depreciation	(386)	-	(4,112)	(4,498)
Total Capital Assets, net	36	-	6,275	6,311
TOTAL NONCURRENT ASSETS	1,805	53,269	6,275	61,349
TOTAL ASSETS	$ 15,181	$ 83,795	$ 15,799	$ 114,775
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 7,321	$ 10,883	$ 664	$ 18,868
Due to Other Funds	39	-	124	163
Claims, Judgments and Compensated Absences	16	9,904	33	9,953
Unearned Revenue	-	4,785	-	4,785
TOTAL CURRENT LIABILITIES	7,376	25,572	821	33,769
NONCURRENT LIABILITIES:				
Claims, Judgments and Compensated Absences	209	21,796	432	22,437
Obligations under Securities Lending	-	2,712	-	2,712
TOTAL NONCURRENT LIABILITIES	209	24,508	432	25,149
TOTAL LIABILITIES	7,585	50,080	1,253	58,918
NET ASSETS:				
Invested in Capital Assets, net of related debt	36	-	6,275	6,311
Restricted for:				
Lottery Prizes, Noncurrent	1,769	-	-	1,769
Unrestricted	5,791	33,715	8,271	47,777
TOTAL NET ASSETS	7,596	33,715	14,546	55,857
TOTAL LIABILITIES AND NET ASSETS	$ 15,181	$ 83,795	$ 15,799	$ 114,775

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
OPERATING REVENUES:				
Charges for Services	$ 121,910	$ 10,947	$ 9,724	$ 142,581
Other	-	-	156	156
TOTAL OPERATING REVENUES	121,910	10,947	9,880	142,737
OPERATING EXPENSES:				
Personal Services	1,401	-	4,319	5,720
Services and Supplies	20,994	561	5,701	27,256
Lottery Prizes	69,239	-	-	69,239
Insurance Claims	-	(3,268)	-	(3,268)
Depreciation	19	-	415	434
TOTAL OPERATING EXPENSES	91,653	(2,707)	10,435	99,381
Operating Income (Loss)	30,257	13,654	(555)	43,356
NONOPERATING REVENUES (EXPENSES):				
Investment Income	774	4,261	327	5,362
Income (Loss) Before Transfers	31,031	17,915	(228)	48,718
Transfers Out	(31,008)	-	-	(31,008)
Change in Net Assets	23	17,915	(228)	17,710
NET ASSETS, JULY 1	7,573	15,800	14,774	38,147
NET ASSETS, JUNE 30	$ 7,596	$ 33,715	$ 14,546	$ 55,857

State of Nebraska

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)

	LOTTERY	EXCESS LIABILITY	CORNHUSKER STATE INDUSTRIES	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 121,444	$ 10,452	$ 2,488	$134,384
Cash Received from Interfund Charges	-	-	7,236	7,236
Cash Paid to Employees	(1,366)	-	(4,261)	(5,627)
Cash Paid to Suppliers	(20,433)	(369)	(4,723)	(25,525)
Cash Paid for Lottery Prizes	(69,988)	-	-	(69,988)
Cash Paid for Insurance Claims	-	(7,232)	-	(7,232)
Cash Paid for Interfund Services	(628)	(185)	(1,328)	(2,141)
NET CASH FLOWS FROM OPERATING ACTIVITIES	29,029	2,666	(588)	31,107
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers Out	(31,008)	-	-	(31,008)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING:				
Acquisition and Construction of Capital Assets	(31)	-	(870)	(901)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of Investment Securities	-	(487,181)	-	(487,181)
Proceeds from Sale of Investment Securities	-	469,422	-	469,422
Interest and Dividend Income	670	4,021	337	5,028
NET CASH FLOWS FROM INVESTING ACTIVITIES	670	(13,738)	337	(12,731)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,340)	(11,072)	(1,121)	(13,533)
CASH AND CASH EQUIVALENTS, JULY 1	9,059	15,930	7,271	32,260
CASH AND CASH EQUIVALENTS, JUNE 30	$ 7,719	$ 4,858	$ 6,150	$ 18,727
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	$ 30,257	$ 13,654	$ (555)	$ 43,356
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation	19	-	415	434
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables	(466)	-	(203)	(669)
(Increase) Decrease in Due from Other Funds	-	-	47	47
(Increase) Decrease in Inventories	-	-	(270)	(270)
(Increase) Decrease in Prepaid Items	(191)	-	-	(191)
(Increase) Decrease in Long-Term Deposits	(170)	-	-	(170)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(420)	7	(6)	(419)
Increase (Decrease) in Due to Other Funds	-	-	(16)	(16)
Increase (Decrease) in Claims Payable	-	(10,500)	-	(10,500)
Increase (Decrease) in Unearned Revenue	-	(495)	-	(495)
Total adjustments	(1,228)	(10,988)	(33)	(12,249)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 29,029	$ 2,666	$ (588)	$ 31,107
NONCASH TRANSACTIONS (dollars in thousands):				
Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments.				
The following noncash transactions occurred during the year:				
Change in Fair Value of Investments	$ -	$ 286	$ -	$ 286

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the operations of State agencies that provide goods and services to other departments or agencies within State government on a cost-reimbursement basis. The State has the following internal service funds:

Buildings and Grounds. The activities of Administrative Services, State Building Division, for space rental, office and storage, and operating the parking areas are accounted for in this fund.

General Services. This fund accounts for the operations of central services provided by the Administrative Services, Materiel Division. These operations are the central mailroom, printing, central stores, purchasing services, surplus State property, and other miscellaneous office services.

Office of the CIO. This fund accounts for the activities of the central communications network and central data processing operations maintained by Administrative Services, Office of the Chief Information Officer.

Transportation Services Bureau. This fund accounts for the operations of the central motor pool, which is under Administrative Services, Transportation Services Bureau.

Risk Management. The activities of Administrative Services, Division of Risk Management, which include workers' compensation and general liability claims, and of the State Employees Insurance Fund, which include life and health insurance programs, are accounted for in this fund.

Accounting Services. The accounting operations maintained by Administrative Services, State Accounting Division, are accounted for in this fund.

Other Internal Service Funds. This fund accounts for the micrographics services and warehousing of records by the Records Management Division of the Secretary of State, the activities of the Investment Council, and the temporary employee pool maintained by Administrative Services, Division of State Personnel.

State of Nebraska

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2008

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	$ 13,618	$ 4,633	$ 12,244
Receivables, net of allowance			
Accounts	13	77	822
Accrued Interest	219	76	152
Due from Other Funds	164	2,377	7,759
Inventories	-	131	60
Prepaid Items	1,002	133	-
TOTAL CURRENT ASSETS	15,016	7,427	21,037
NONCURRENT ASSETS:			
Capital Assets:			
Buildings and Equipment	2,423	10,403	26,768
Less Accumulated Depreciation	(2,112)	(4,904)	(19,905)
Total Capital Assets, net	311	5,499	6,863
TOTAL ASSETS	$ 15,327	$ 12,926	$ 27,900
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 2,413	$ 1,963	$ 6,079
Due to Other Funds	97	1,081	402
Capital Lease Obligations	71	-	2,425
Claims, Judgments and Compensated Absences	42	31	199
Unearned Revenue	-	-	696
TOTAL CURRENT LIABILITIES	2,623	3,075	9,801
NONCURRENT LIABILITIES:			
Capital Lease Obligations	35	-	4,175
Claims, Judgments and Compensated Absences	553	405	2,650
TOTAL NONCURRENT LIABILITIES	588	405	6,825
TOTAL LIABILITIES	3,211	3,480	16,626
NET ASSETS:			
Invested in Capital Assets, net of related debt	205	5,499	263
Unrestricted	11,911	3,947	11,011
TOTAL NET ASSETS	12,116	9,446	11,274
TOTAL LIABILITIES AND NET ASSETS	$ 15,327	$ 12,926	$ 27,900

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
$ 4,471	$ 42,166	$ 1,927	$ 2,860	$ 81,919
57	179	2	119	1,269
67	570	64	40	1,188
1,213	32,435	-	439	44,387
-	-	-	-	191
-	-	-	-	1,135
5,808	75,350	1,993	3,458	130,089
17,368	-	1,456	751	59,169
(6,688)	-	(1,001)	(675)	(35,285)
10,680	-	455	76	23,884
$ 16,488	$ 75,350	$ 2,448	$ 3,534	$ 153,973
$ 1,032	$ 5,595	$ 413	$ 669	$ 18,164
131	4,573	60	7	6,351
645	-	-	-	3,141
7	27,996	16	11	28,302
-	-	-	-	696
1,815	38,164	489	687	56,654
2,095	-	-	-	6,305
87	36,059	209	149	40,112
2,182	36,059	209	149	46,417
3,997	74,223	698	836	103,071
7,940	-	455	76	14,438
4,551	1,127	1,295	2,622	36,464
12,491	1,127	1,750	2,698	50,902
$ 16,488	$ 75,350	$ 2,448	$ 3,534	$ 153,973

State of Nebraska

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
OPERATING REVENUES:			
Charges for Services	$ 30,925	$ 19,769	$ 60,662
Other	911	-	-
TOTAL OPERATING REVENUES	31,836	19,769	60,662
OPERATING EXPENSES:			
Personal Services	3,683	3,008	17,621
Services and Supplies	27,756	14,770	47,245
Insurance Claims	-	-	-
Depreciation	104	943	3,435
TOTAL OPERATING EXPENSES	31,543	18,721	68,301
Operating Income (Loss)	293	1,048	(7,639)
NONOPERATING REVENUES (EXPENSES):			
Investment Income	688	179	597
Gain (Loss) on Sale of Capital Assets	7	(183)	52
Other	(5)	-	2,011
TOTAL NONOPERATING REVENUES (EXPENSES)	690	(4)	2,660
Change in Net Assets	983	1,044	(4,979)
NET ASSETS, JULY 1	11,133	8,402	16,253
NET ASSETS, JUNE 30	$ 12,116	$ 9,446	$ 11,274

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
$ 6,918	$ 181,678	$ 4,134	$ 8,363	$ 312,449
-	-	1,167	-	2,078
6,918	181,678	5,301	8,363	314,527
549	170	1,845	4,745	31,621
4,089	727	3,104	3,916	101,607
-	182,154	-	-	182,154
1,804	-	427	96	6,809
6,442	183,051	5,376	8,757	322,191
476	(1,373)	(75)	(394)	(7,664)
149	1,592	205	126	3,536
(726)	-	(2)	-	(852)
(119)	-	-	-	1,887
(696)	1,592	203	126	4,571
(220)	219	128	(268)	(3,093)
12,711	908	1,622	2,966	53,995
$ 12,491	$ 1,127	$ 1,750	$ 2,698	$ 50,902

State of Nebraska

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	BUILDINGS AND GROUNDS	GENERAL SERVICES	OFFICE OF THE CIO
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 607	$ 107	$ 2,325
Cash Received from Interfund Charges	31,210	19,494	59,631
Cash Paid to Employees	(3,622)	(3,044)	(17,486)
Cash Paid to Suppliers	(25,335)	(14,962)	(42,735)
Cash Paid for Insurance Claims	-	-	-
Cash Paid for Interfund Services	(1,528)	(298)	(4,028)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,332	1,297	(2,293)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cigarette Tax Proceeds	-	-	2,213
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(196)	(1,685)	(2,522)
Proceeds from Sale of Capital Assets	8	4	52
Principal Paid on Capital Leases	(72)	-	(1,815)
Interest Paid on Capital Leases	(5)	-	(202)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(265)	(1,681)	(4,487)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Income	649	172	683
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,716	(212)	(3,884)
CASH AND CASH EQUIVALENTS, JULY 1	11,902	4,845	16,128
CASH AND CASH EQUIVALENTS, JUNE 30	$13,618	$ 4,633	$12,244
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Income (Loss)	$ 293	$ 1,048	$ (7,639)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	104	943	3,435
Change in Assets and Liabilities:			
(Increase) Decrease in Receivables	(9)	(36)	(243)
(Increase) Decrease in Due from Other Funds	(10)	(132)	1,788
(Increase) Decrease in Inventories	-	15	(14)
(Increase) Decrease in Prepaid Items	(118)	37	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,031	(911)	623
Increase (Decrease) in Due to Other Funds	41	333	8
Increase (Decrease) in Claims Payable	-	-	-
Increase (Decrease) in Unearned Revenue	-	-	(251)
Total Adjustments	1,039	249	5,346
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 1,332	$ 1,297	$ (2,293)

NONCASH TRANSACTIONS (dollars in thousands):

Noncash transactions are investing and financing activities that affect assets and liabilities but do not result in cash receipts or payments. The following noncash transactions occurred during the year:

Capital Assets acquired through Capital Leases	$ -	$ -	$ 4,146

TRANSPORTATION SERVICES	RISK MANAGEMENT	ACCOUNTING SERVICES	OTHER INTERNAL SERVICE	TOTALS
$ 110	$ 5,254	$ 2	$ 7,608	$ 16,013
8,085	184,271	5,299	839	308,829
(525)	(166)	(1,850)	(4,762)	(31,455)
(2,324)	(208)	(2,261)	(3,571)	(91,396)
-	(180,842)	-	-	(180,842)
(1,402)	(133)	(714)	(257)	(8,360)
3,944	8,176	476	(143)	12,789
-	-	-	-	2,213
(2,174)	-	-	(116)	(6,693)
1,290	-	1	-	1,355
(627)	-	-	-	(2,514)
(119)	-	-	-	(326)
(1,630)	-	1	(116)	(8,178)
116	1,416	186	125	3,347
2,430	9,592	663	(134)	10,171
2,041	32,574	1,264	2,994	71,748
$ 4,471	$ 42,166	$ 1,927	$ 2,860	$ 81,919
$ 476	$ (1,373)	$ (75)	$ (394)	$ (7,664)
1,804	-	427	96	6,809
96	(129)	-	66	(255)
1,181	7,976	-	18	10,821
4	-	-	-	5
-	-	-	-	(81)
408	390	115	74	1,730
(25)	-	9	(3)	363
-	1,312	-	-	1,312
-	-	-	-	(251)
3,468	9,549	551	251	20,453
$ 3,944	$ 8,176	$ 476	$ (143)	$ 12,789
$ -	$ -	$ -	$ -	$ 4,146

GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State of Nebraska in a fiduciary capacity. The State has the following fiduciary funds:

PENSION TRUST FUNDS

Deferred Compensation, State Employees' Retirement, County Employees' Retirement, Judges' Retirement, State Patrol Retirement, and School Retirement Systems.

PRIVATE PURPOSE TRUST FUNDS

Vocational Rehabilitation Fund. This fund provides rehabilitation services to outside persons to restore the person to gainful employment. Funding comes from assessments to insurance companies and self-insurers. This is not a State program.

Canteen and Welfare Fund. This fund provides entertainment activities and equipment at correctional facilities for youth and adult offenders. Such expenditures are not in the context of the State's responsibility for prisoner care and welfare. Revenues are from vending sales, canteen sales and interest earned. Such sales are 100% from inmate purchases. This is not a State program and uses no State funds.

Escheat Trust Fund. This fund makes payments to rightful owners for financial assets turned over to the State Treasurer because the assets were left unclaimed at corporations, business associations, banking and financial organizations, insurance companies, utilities and public authorities. If the rightful owners cannot be located, excess funds are transferred to the Permanent School Fund. However, the only funds shown in this trust are those funds determined to be paid at a future date to rightful owners of those funds.

College Savings Plan. This fund accounts for the Nebraska savings plan qualified under section 529 of the Internal Revenue Code.

Other Private Purpose Trust Funds. Amos Trust, Agriculture and University Land Lease, Public Service Commission Trust Account, and Miscellaneous Private Purpose Trust.

AGENCY FUNDS

Local Government Fund. This fund receives money for redistribution to counties and other political subdivisions.

Other Agency Funds. Ohio College Library Service, Severance Tax Fund, Court Ordered Settlement, County Court Trust Funds, Comprehensive Health Insurance Pool, the Department of Correctional Services Inmate Trust Funds, and the Health and Human Services System Trust Funds.

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

June 30, 2008

(Dollars in Thousands)

	DEFERRED COMPENSATION	STATE EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	STATE EMPLOYEES RETIREMENT CASH BALANCE
ASSETS			
Cash and Cash Equivalents	$ 102	$ 550	$ 53
Investments:			
U.S. Treasury Notes and Bonds	-	-	(1,448)
U.S. Treasury Bills	-	-	635
Government Agency Securities	-	-	3,259
Corporate Bonds	-	-	27,305
International Bonds	-	-	2,795
Equity Securities	-		63,267
Private Equity	-	-	3,641
Options	-	-	(49)
Mortgages	-	-	54,481
Private Real Estate	-	-	17,541
Asset Backed Securities	-	-	5,193
Municipal Bonds	-	-	396
Commingled Funds	148,423	690,180	295,038
Guaranteed Investment Contracts	-	102,538	-
Short Term Investments	-	32,092	5,460
Total Investments	148,423	824,810	477,514
Securities Lending Collateral	-	6,254	19,673
Receivables:			
Contributions	-	2	6
Interest and Dividends	2	132	855
Other	-	-	12,133
Total Receivables	2	134	12,994
Due from Other Funds	2	8	153,551
Capital Assets:			
Buildings and Equipment	46	1,100	2,104
Less Accumulated Depreciation	(43)	(752)	(1,530)
Total Capital Assets, net	3	348	574
TOTAL ASSETS	$ 148,532	$ 832,104	$ 664,359
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ -	$ 512	$ 19,736
Due to Other Governments	-	-	-
Due to Other Funds	2	153,571	-
Obligations under Securities Lending	-	6,254	19,673
Capital Lease Obligations	4	334	728
Accrued Compensated Absences	6	24	13
TOTAL LIABILITIES	12	160,695	40,150
NET ASSETS			
Held in Trust for Pension Benefits	$ 148,520	$ 671,409	$ 624,209

COUNTY EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	COUNTY EMPLOYEES RETIREMENT CASH BALANCE	SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
$ 29	$ 39	$ 2,368	$ 79	$ 179	$ 3,399
-	(427)	5,453	94	215	3,887
-	187	10,005	172	395	11,394
-	962	18,765	324	742	24,052
-	8,056	437,391	7,539	17,285	497,576
-	825	37,502	646	1,482	43,250
	18,667	825,376	14,227	32,617	954,154
-	1,074	79,103	1,364	3,126	88,308
-	(14)	(1,173)	(20)	(46)	(1,302)
-	16,074	871,653	15,027	34,482	991,717
-	5,175	266,700	4,597	10,539	304,552
-	1,532	77,327	1,333	3,056	88,441
-	117	10,607	183	419	11,722
164,940	87,050	3,938,790	67,894	155,650	5,547,965
21,660	-	-	-	-	124,198
5,107	2,229	72,585	1,251	2,872	121,596
191,707	141,507	6,650,084	114,631	262,834	8,811,510
1,321	5,849	292,555	5,043	11,561	342,256
235	405	16,679	308	-	17,635
21	256	14,106	244	557	16,173
-	3,580	383,152	6,605	15,142	420,612
256	4,241	413,937	7,157	15,699	454,420
-	28,527	18,913	72	875	201,948
502	1,107	8,336	1,634	1,607	16,436
(349)	(837)	(6,806)	(1,227)	(1,207)	(12,751)
153	270	1,530	407	400	3,685
$ 193,466	$ 180,433	$ 7,379,387	$ 127,389	$ 291,548	$ 9,817,218
$ 113	$ 5,873	$ 506,139	$ 8,683	$ 19,885	$ 560,941
-	-	-	-	-	-
28,537	-	102	37	1	182,250
1,321	5,849	292,555	5,043	11,561	342,256
137	383	1,970	524	515	4,595
11	7	176	3	4	244
30,119	$ 12,112	$ 800,942	$ 14,290	$ 31,966	$ 1,090,286
$ 163,347	$ 168,321	$ 6,578,445	$ 113,099	$ 259,582	$ 8,726,932

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)

		STATE EMPLOYEES RETIREMENT	
	DEFERRED COMPENSATION	DEFINED CONTRIBUTION	CASH BALANCE
ADDITIONS:			
Contributions:			
Participant Contributions	$ 10,086	$ 14,799	$ 14,697
State Contributions	-	23,097	22,921
Political Subdivision Contributions	-	-	-
Court Fees	-	-	-
Total Contributions	10,086	37,896	37,618
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(14,326)	47,303	34,399
Interest and Dividend Income	3,050	-	-
Securities Lending Income	-	377	989
Total Investment Income	(11,276)	47,680	35,388
Investment Expenses	-	-	-
Securities Lending Expenses	-	350	925
Total Investment Expense	-	350	925
Net Investment Income	(11,276)	47,330	34,463
Other Additions	141	8	153,553
TOTAL ADDITIONS	(1,049)	85,234	225,634
DEDUCTIONS:			
Benefits	10,285	39,499	25,763
Refunds	-	-	-
Administrative Expenses	330	755	1,216
Other Deductions	-	153,944	-
TOTAL DEDUCTIONS	10,615	194,198	26,979
TRANSFERS:			
Transfers In (Out)	-	(3,126)	3,126
Change in Net Assets	(11,664)	(112,090)	201,781
NET ASSETS-BEGINNING OF YEAR	160,184	783,499	422,428
NET ASSETS-END OF YEAR	$ 148,520	$ 671,409	$ 624,209

COUNTY EMPLOYEES RETIREMENT DEFINED CONTRIBUTION	COUNTY EMPLOYEES RETIREMENT CASH BALANCE	SCHOOL RETIREMENT	JUDGES RETIREMENT	STATE PATROL RETIREMENT	TOTALS
$ 4,218	$ 5,528	$ 107,354	$ 1,151	$ 3,643	$ 161,476
6,216	8,195	18,579	72	4,883	83,963
-	-	105,976	-	-	105,976
-	-	-	3,281	-	3,281
10,434	13,723	231,909	4,504	8,526	354,696
11,091	9,947	(567,118)	(9,748)	(21,950)	(510,402)
-	-	180,460	3,118	7,172	193,800
80	294	14,090	243	557	16,630
11,171	10,241	(372,568)	(6,387)	(14,221)	(299,972)
-	-	13,425	240	671	14,336
74	275	11,969	207	473	14,273
74	275	25,394	447	1,144	28,609
11,097	9,966	(397,962)	(6,834)	(15,365)	(328,581)
3	28,528	46	-	-	182,279
21,534	52,217	(166,007)	(2,330)	(6,839)	208,394
12,851	9,095	261,352	5,278	12,782	376,905
-	-	10,454	-	155	10,609
239	654	4,782	342	338	8,656
28,527	-	4,525	-	-	186,996
41,617	9,749	281,113	5,620	13,275	583,166
(982)	982	-	-	-	-
(21,065)	43,450	(447,120)	(7,950)	(20,114)	(374,772)
184,412	124,871	7,025,565	121,049	279,696	9,101,704
$ 163,347	$ 168,321	$ 6,578,445	$ 113,099	$ 259,582	$ 8,726,932

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

June 30, 2008

(Dollars in Thousands)	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ASSETS						
Cash and Cash Equivalents	$ 6,843	$ 3,830	$ 9,022	$ -	$ 9,901	$ 29,596
Investments:						
Commingled Funds	-	-	-	2,006,584	-	2,006,584
Short Term Investments	-	-	-	3,644	-	3,644
Receivables:						
Interest and Dividends	102	56	74	3,165	141	3,538
Other	-	2	-	-	-	2
Other Assets	-	3	10,673	-	35	10,711
TOTAL ASSETS	$ 6,945	$ 3,891	$ 19,769	$ 2,013,393	$ 10,077	$ 2,054,075
LIABILITIES						
Accounts Payable and Accrued Liabilities	$ 2	$ 416	$ 214	$ 2,354	$ 54	$ 3,040
Deposits	-	-	-	-	35	35
Due to Other Funds	-	2	6	-	5	13
TOTAL LIABILITIES	$ 2	$ 418	$ 220	$ 2,354	$ 94	$ 3,088
NET ASSETS						
Held in Trust for:						
College Savings Plan	$ -	$ -	$ -	$ 2,011,039	$ -	$ 2,011,039
Other Purposes	6,943	3,473	19,549	-	9,983	39,948
TOTAL NET ASSETS	$ 6,943	$ 3,473	$ 19,549	$ 2,011,039	$ 9,983	$ 2,050,987

State of Nebraska

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	VOCATIONAL REHABILITATION	CANTEEN AND WELFARE	ESCHEAT TRUST	COLLEGE SAVINGS PLAN	OTHER	TOTALS
ADDITIONS:						
Contributions:						
Participant Contributions	$ -	$ -	$ -	$ 579,097	$ -	$ 579,097
Client Contributions	-	199	-	-	2	201
Investment Income:						
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	-	39,350	-	39,350
Interest and Dividend Income	312	180	370	82,066	392	83,320
Investment Expenses	-	-	-	12,700	-	12,700
Total Investment Income	312	180	370	108,716	392	109,970
Escheat Revenue	-	-	16,725	-	-	16,725
Other Additions	1,187	4,787	16	-	2,412	8,402
TOTAL ADDITIONS	1,499	5,166	17,111	687,813	2,806	714,395
DEDUCTIONS:						
Benefits	-	-	-	320,029	-	320,029
Amounts Distributed to Outside Parties	1,270	3,936	13,327	-	384	18,917
Administrative Expenses	-	898	1,006	-	365	2,269
TOTAL DEDUCTIONS	1,270	4,834	14,333	320,029	749	341,215
Change in Net Assets Held in Trust for:						
College Savings Plan	-	-	-	367,784	-	367,784
Other Purposes	229	332	2,778	-	2,057	5,396
NET ASSETS-BEGINNING OF YEAR	6,714	3,141	16,771	1,643,255	7,926	1,677,807
NET ASSETS-END OF YEAR	$ 6,943	$ 3,473	$ 19,549	$ 2,011,039	$ 9,983	$ 2,050,987

State of Nebraska

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2008

(Dollars in Thousands)	LOCAL GOVERNMENT FUND	OTHER	TOTALS
ASSETS			
Cash and Cash Equivalents	$ 50,816	$ 38,515	$ 89,331
Receivables:			
Interest and Dividends Receivable	559	194	753
Other	-	461	461
TOTAL ASSETS	$ 51,375	$ 39,170	$ 90,545
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 130	$ 11,877	$ 12,007
Due to Other Governments	51,245	-	51,245
Other Liabilities	-	27,293	27,293
TOTAL LIABILITIES	$ 51,375	$ 39,170	$ 90,545

State of Nebraska

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS

For the Year Ended June 30, 2008

(Dollars in Thousands)	BALANCE JULY 1, 2007	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2008
LOCAL GOVERNMENT FUND				
ASSETS				
Cash and Cash Equivalents	$ 51,096	$ 515,290	$ 515,570	$ 50,816
Receivables:				
Interest and Dividends Receivable	548	1,526	1,515	559
Other	-	56	56	-
TOTAL ASSETS	$ 51,644	$ 516,872	$ 517,141	$ 51,375
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 640	$ 245,169	$ 245,679	$ 130
Due to Other Governments	51,004	271,703	271,462	51,245
TOTAL LIABILITIES	$ 51,644	$ 516,872	$ 517,141	$ 51,375
OTHER				
ASSETS				
Cash and Cash Equivalents	$ 44,557	$ 438,144	$ 444,186	$ 38,515
Receivables:				
Interest and Dividends Receivable	212	691	709	194
Other	460	15,065	15,064	461
TOTAL ASSETS	$ 45,229	$ 453,900	$ 459,959	$ 39,170
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 17,010	$ 66,223	$ 71,356	$ 11,877
Other Liabilities	28,219	387,677	388,603	27,293
TOTAL LIABILITIES	$ 45,229	$ 453,900	$ 459,959	$ 39,170
TOTALS				
ASSETS				
Cash and Cash Equivalents	$ 95,653	$ 953,434	$ 959,756	$ 89,331
Receivables:				
Interest and Dividends Receivable	760	2,217	2,224	753
Other	460	15,121	15,120	461
TOTAL ASSETS	$ 96,873	$ 970,772	$ 977,100	$ 90,545
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 17,650	$ 311,392	$ 317,035	$ 12,007
Due to Other Governments	51,004	271,703	271,462	51,245
Other Liabilities	28,219	387,677	388,603	27,293
TOTAL LIABILITIES	$ 96,873	$ 970,772	$ 977,100	$ 90,545

GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

STATISTICAL SECTION

State of Nebraska

STATISTICAL SECTION TABLE OF CONTENTS

For the Year Ended June 30, 2008

Page

This part of the State of Nebraska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the State's overall financial health.

FINANCIAL TRENDS INFORMATION

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Net Assets by Component 109
Changes in Net Assets 110
Fund Balances 113
Changes in Fund Balances 114

REVENUE CAPACITY INFORMATION

These schedules present revenue capacity information for the two largest own-source revenues – individual income tax and sales and use tax. Individual income tax and sales and use tax are the primary sources of general fund revenue.

Individual Income Tax Rates 116
Individual Income Tax Liability by Income Level 117
Taxable Sales by Industry 118

DEBT CAPACITY INFORMATION

The State has no debt because the Nebraska State Constitution prohibits the State's debt from exceeding, in the aggregate, one hundred thousand dollars. However, the State does have leasing arrangements; such information is provided in this section.

Ratios of Outstanding Debt 119

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place and to help make comparisons over time and with other governments.

Comparative Unemployment, Nebraska and United States 120
Population, Personal and Per Capita Income, Nebraska and United States 121
Ten Largest Employers 121
Public and State Operated School Enrollment, Prekindergarten-Grade 12 122
Public Higher Education Institutions Total Fall Headcount Enrollment 122

OPERATING INFORMATION

These schedules contain information about the State's operations and resources to help the reader understand how the State's financial information relates to the activities it performs.

Full Time Equivalent Permanent Employees by Function 123
Operating Indicators by Function 124
Capital Asset Statistics by Function 125

MISCELLANEOUS DATA 126

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The state implemented GASB Statement 34 in 2002; schedules presenting government-wide information included information beginning that year.

State of Nebraska

NET ASSETS BY COMPONENT

2002 – 2008

(Dollars in Thousands)

	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	$ 6,749,014	$ 6,909,470	$ 6,980,310	$ 7,110,299	$ 7,269,102	$ 7,428,729	$ 7,587,729
Restricted	1,005,046	933,033	1,050,902	1,099,437	1,566,634	1,762,849	1,789,943
Unrestricted	349,311	134,471	425,811	804,266	681,330	966,918	1,078,546
Total governmental activities net assets	$ 8,103,371	$ 7,976,974	$ 8,457,023	$ 9,014,002	$ 9,517,066	$ 10,158,496	$ 10,456,218
Business-type activities							
Invested in capital assets, net of related debt	$ 6,994	$ 6,563	$ 6,424	$ 6,235	$ 6,066	$ 5,763	$ 6,426
Restricted	222,534	195,802	184,665	213,058	274,537	321,396	344,186
Unrestricted	16,570	14,358	12,592	26,070	30,144	31,019	47,777
Total business-type activities net assets	$ 246,098	$ 216,723	$ 203,681	$ 245,363	$ 310,747	$ 358,178	$ 398,389
Primary government							
Invested in capital assets, net of related debt	$ 6,756,008	$ 6,916,033	$ 6,986,734	$ 7,116,534	$ 7,275,168	$ 7,434,492	$ 7,594,155
Restricted	1,227,580	1,128,835	1,235,567	1,312,495	1,841,171	2,084,245	2,134,129
Unrestricted	365,881	148,829	438,403	830,336	711,474	997,937	1,126,323
Total primary government net assets	$ 8,349,469	$ 8,193,697	$ 8,660,704	$ 9,259,365	$ 9,827,813	$ 10,516,674	$ 10,854,607

NOTE: In 2006, restricted net assets increased significantly due to the implementation of GASB Statement No. 46.

State of Nebraska

CHANGES IN NET ASSETS

2002 – 2008

(Dollars in Thousands)

	2002	2003	2004	2005	2006	2007	2008
Governmental Activities:							
Expenses							
General Government	$ 251,430	$ 404,682	$ 293,586	$ 320,608	$ 308,567	$ 354,737	$ 437,830
Conservation of Natural Resources	99,687	87,746	91,996	95,589	100,476	119,286	112,936
Culture - Recreation	23,961	28,083	20,352	28,524	27,174	27,031	26,073
Economic Development and Assistance	86,874	83,974	80,417	79,618	87,299	89,310	84,852
Education	1,172,967	1,215,793	1,201,349	1,224,973	1,318,123	1,369,110	1,450,085
Higher Education - Colleges and University	466,397	461,325	438,225	451,404	482,229	528,861	558,282
Health and Social Services	2,167,183	2,219,649	2,329,940	2,494,782	2,593,692	2,649,535	2,744,217
Public Safety	233,666	237,538	254,085	282,474	288,659	359,755	372,677
Regulation of Business and Professions	104,768	117,235	126,978	139,248	151,853	155,692	130,603
Transportation	664,228	626,550	715,553	716,259	697,210	614,919	714,032
Interest on Long-term Debt	2,468	3,808	3,018	2,800	2,556	2,337	2,241
Total expenses	5,273,629	5,486,383	5,555,499	5,836,279	6,057,838	6,270,573	6,633,828
Program Revenues							
Charges for Services:							
General Government	52,894	57,497	63,919	64,746	73,624	86,746	86,869
Conservation of Natural Resources	24,704	27,644	31,909	22,049	24,332	34,578	34,439
Culture - Recreation	17,140	16,441	15,544	16,700	15,977	16,823	17,072
Economic Development and Assistance	3,763	2,221	3,551	3,600	3,195	5,043	4,808
Education	25,496	34,810	35,140	27,470	23,346	26,180	25,807
Health and Social Services	160,294	130,487	152,240	147,720	120,526	115,036	126,075
Public Safety	23,229	23,275	26,077	27,614	26,183	24,348	25,118
Regulation of Business and Professions	43,918	112,754	116,772	122,536	113,418	118,119	122,667
Transportation	82,542	82,414	77,630	95,322	90,951	89,358	105,748
Operating grants and contributions	1,783,349	1,801,023	2,146,719	2,121,384	2,151,817	2,217,531	2,235,104
Capital grants and contributions	1,360	5,354	6,422	12,245	4,461	8,137	21,258
Total program revenues	2,218,689	2,293,920	2,675,923	2,661,386	2,647,830	2,741,899	2,804,965
Total Governmental Activities Net Program Expense	(3,054,940)	(3,192,463)	(2,879,576)	(3,174,893)	(3,410,008)	(3,528,674)	(3,828,863)
General Revenues and Other Changes in Net Assets							
Taxes							
Income taxes	1,254,699	1,236,845	1,400,161	1,612,683	1,803,670	1,859,467	1,956,656
Sales and use taxes	1,134,048	1,218,045	1,284,260	1,376,100	1,410,980	1,441,743	1,481,067
Petroleum taxes	310,401	311,198	313,539	311,231	312,809	326,795	290,721
Excise taxes	85,969	108,788	122,462	126,593	134,406	137,525	141,012
Business and franchise taxes	57,322	59,490	67,322	70,344	79,723	68,771	80,925
Other taxes	24,366	25,187	33,089	68,885	35,369	36,832	15,269
Total taxes	2,866,805	2,959,553	3,220,833	3,565,836	3,776,957	3,871,133	3,965,650
Unrestricted investment earnings	65,776	73,888	86,502	117,977	92,892	250,175	114,252
Miscellaneous	350	-	1,055	5,106	39	730	3,374
Contributions to permanent fund principal	9,938	12,395	11,715	16,581	15,582	18,800	12,301
Transfers	18,486	20,230	20,591	26,372	27,602	29,266	31,008
Total general revenues and other changes in net assets	2,961,355	3,066,066	3,340,696	3,731,872	3,913,072	4,170,104	4,126,585
Total Governmental Activities Change in Net Assets	$ (93,585)	$ (126,397)	$ 461,120	$ 556,979	$ 503,064	$ 641,430	$ 297,722

State of Nebraska

CHANGES IN NET ASSETS (Continued)

2002 – 2008

(Dollars in Thousands)

	2002	2003	2004	2005	2006	2007	2008
Business-type Activities:							
Expenses							
Unemployment Insurance	$ 132,284	$ 160,664	$ 156,172	$ 114,496	$ 101,433	$ 93,939	$ 98,365
Lottery	56,133	61,455	73,264	77,128	83,440	85,895	91,653
Excess Liability	10,756	13,796	14,595	1,984	12,551	13,731	(2,707)
Cornhusker State Industries	9,043	6,103	7,868	10,509	10,552	11,690	10,435
Total expenses	208,216	242,018	251,899	204,117	207,976	205,255	197,746
Revenues							
Charges for services:							
Unemployment Insurance	133,766	123,393	132,379	133,840	154,413	127,340	102,881
Lottery	73,957	80,919	92,608	100,658	113,108	114,489	121,910
Excess Liability	3,264	6,686	9,683	10,949	12,903	12,474	10,947
Cornhusker State Industries	9,783	5,196	9,598	13,022	10,851	9,341	9,880
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-
Total revenues	220,770	216,194	244,268	258,469	291,275	263,644	245,618
Total Business-type Activities							
Net Program Expense	12,554	(25,824)	(7,631)	54,352	83,299	58,389	47,872
Other Changes in Net Assets							
Unrestricted investment earnings	15,120	16,679	15,183	13,705	10,110	18,308	23,347
Miscellaneous	-	-	(3)	(3)	(423)	-	-
Transfers	(18,486)	(20,230)	(20,591)	(26,372)	(27,602)	(29,266)	(31,008)
Total other changes in net assets	(3,366)	(3,551)	(5,411)	(12,670)	(17,915)	(10,958)	(7,661)
Total Business-type Activities							
Change in Net Assets	$ 9,188	$ (29,375)	$ (13,042)	$ 41,682	$ 65,384	$ 47,431	$ 40,211
Total Primary Government							
Change in Net Assets	$ (84,397)	$ (155,772)	$ 448,078	$ 598,661	$ 568,448	$ 688,861	$ 337,933

NOTE: The increases in taxes and change in net assets from 2004 to 2008 for governmental activities were primarily due to a strengthing economy.

GREAT SEAL OF THE STATE OF NEBRASKA
EQUALITY BEFORE THE LAW
MARCH 1ST 1867

State of Nebraska

FUND BALANCES
GOVERNMENTAL FUNDS

2002 – 2008

(Dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008
General Fund							
Reserved	$ 87	$ 274	$ 525	$ 532	$ 482	$ 438	$ 1,368
Unreserved	80,612	(17,319)	207,282	408,771	691,757	971,205	972,307
Total general fund	$ 80,699	$ (17,045)	$ 207,807	$ 409,303	$ 692,239	$ 971,643	$ 973,675
All Other Governmental Funds							
Reserved	$ 306,141	$ 333,228	$ 347,660	$ 377,818	$ 619,319	$ 659,349	$ 687,095
Unreserved							
Special revenue funds	837,007	765,310	879,041	936,316	893,536	1,014,579	1,065,392
Permanent funds	189,612	197,586	224,869	250,127	77,768	115,901	91,759
Other funds	22,514	30,030	32,206	34,295	47,071	51,784	121,686
Total all other governmental funds	$ 1,355,274	$ 1,326,154	$ 1,483,776	$ 1,598,556	$ 1,637,694	$ 1,841,613	$ 1,965,932

State of Nebraska

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

1999 – 2008

(Dollars in Thousands)

	1999	2000	2001	2002
REVENUES:				
Taxes:				
Income	$ 1,199,499	$ 1,310,210	$ 1,374,256	$ 1,252,950
Sales and Use	868,620	1,083,692	1,068,832	1,135,014
Petroleum	266,419	280,700	291,545	309,245
Excise	94,142	95,324	86,518	83,567
Business and Franchise	40,396	42,095	56,420	57,321
Other	24,590	27,735	35,621	24,912
Total Taxes	2,493,666	2,839,756	2,913,192	2,863,009
Federal Grants and Contracts	1,400,439	1,557,699	1,591,531	1,789,617
Licenses, Fees and Permits	154,352	160,915	159,338	169,748
Charges for Services	75,343	78,647	81,691	82,058
Investment Income	93,522	91,173	114,774	57,660
Rents and Royalties	31,954	34,123	33,711	33,586
Other	115,983	181,894	146,874	148,168
TOTAL REVENUES	4,365,259	4,944,207	5,041,111	5,143,846
EXPENDITURES:				
Current:				
General Government	203,011	215,098	268,235	225,446
Conservation of Natural Resources	82,049	95,824	94,481	102,401
Culture – Recreation	22,588	22,754	24,059	29,002
Economic Development and Assistance	74,672	80,559	81,045	86,401
Education	1,032,960	1,080,926	1,089,059	1,172,525
Higher Education - Colleges and University	404,314	429,865	442,176	466,397
Health and Social Services	1,646,773	1,794,428	1,960,469	2,159,887
Public Safety	177,519	189,850	197,363	238,874
Regulation of Business and Professions	42,930	68,044	81,855	104,364
Transportation	658,509	760,048	670,896	750,704
Capital Projects	23,177	66,478	45,321	25,961
Debt Service				
Principal	4,880	13,065	3,125	8,805
Interest	1,017	1,288	1,699	1,886
TOTAL EXPENDITURES	4,374,399	4,818,227	4,959,783	5,372,653
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,140)	125,980	81,328	(228,807)
OTHER FINANCING SOURCES (USES)				
Transfers In	123,474	174,364	151,673	151,187
Transfers Out	(106,603)	(158,142)	(129,619)	(130,025)
Other	55	30,636	2,947	37,719
NET CHANGE IN FUND BALANCE	7,786	172,838	106,329	(169,926)
Restatements	-	-	-	11,354
BEGINNING FUND BALANCE	1,307,592	1,315,378	1,488,216	1,594,545
ENDING FUND BALANCE	$ 1,315,378	$ 1,488,216	$ 1,594,545	$ 1,435,973
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<1%	<1%	<1%	<1%

NOTE: The increases in taxes and fund balances from 2004 to 2008 were primarily due to a strengthing economy.
The increase of general government expenditures in 2005 was due to settling a low-level radioactive waste lawsuit.

2003	2004	2005	2006	2007	2008
$ 1,237,075	$ 1,402,371	$ 1,610,008	$ 1,802,161	$ 1,860,712	$ 1,950,363
1,215,621	1,283,592	1,376,675	1,411,152	1,437,994	1,474,251
311,198	313,539	311,231	312,809	329,490	295,321
107,227	122,320	124,525	132,348	135,449	138,799
59,490	67,322	70,344	79,723	68,771	80,925
25,187	33,089	68,885	35,369	36,832	15,269
2,955,798	3,222,233	3,561,668	3,773,562	3,869,248	3,954,928
1,806,377	2,153,141	2,133,629	2,156,278	2,225,668	2,256,362
177,317	183,314	198,970	196,966	211,167	259,000
74,470	82,320	93,654	82,132	92,370	108,301
71,225	83,702	115,540	89,888	246,753	110,716
44,561	39,845	41,437	45,951	49,968	51,809
196,148	222,577	201,814	172,545	173,948	129,861
5,325,896	5,987,132	6,346,712	6,517,322	6,869,122	6,870,977
252,230	240,354	405,798	296,209	311,324	430,310
88,716	92,682	98,067	104,118	119,533	112,333
26,844	26,081	28,313	26,392	26,250	26,226
83,378	80,531	81,172	87,462	89,440	85,807
1,208,046	1,203,430	1,223,461	1,318,785	1,366,330	1,448,170
461,325	438,225	451,404	482,229	528,861	558,282
2,219,154	2,337,338	2,475,952	2,605,402	2,659,210	2,715,383
236,277	262,344	285,732	287,735	359,514	383,156
116,560	127,079	139,086	151,850	155,195	130,330
752,810	794,342	844,709	837,796	763,907	853,521
27,773	19,162	19,048	25,101	27,494	27,289
3,830	4,145	5,525	4,660	6,575	6,215
1,934	1,971	1,852	1,742	1,666	1,459
5,478,877	5,627,684	6,060,119	6,229,481	6,415,299	6,778,481
(152,981)	359,448	286,593	287,841	453,823	92,496
147,825	126,343	152,721	171,981	155,268	253,986
(126,721)	(104,664)	(126,349)	(144,379)	(126,002)	(222,978)
5,013	1,347	3,311	6,631	234	2,847
(126,864)	382,474	316,276	322,074	483,323	126,351
-	-	-	-	-	-
1,435,973	1,309,109	1,691,583	2,007,859	2,329,933	2,813,256
$ 1,309,109	$ 1,691,583	$ 2,007,859	$ 2,329,933	$ 2,813,256	$ 2,939,607
<1%	<1%	<1%	<1%	<1%	<1%

State of Nebraska

INDIVIDUAL INCOME TAX RATES

1998 – 2007

	Tax Brackets			
	Bracket 1	**Bracket 2**	**Bracket 3**	**Bracket 4**
Single				
1998 - 2005 Income Range	$0-2,400	$2,400-17,000	$17,000-26,500	Over $26,500
2006 - 2007 Income Range	$0-2,400	$2,400-17,500	$17,500-27,000	Over $27,000
1998 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2007 Rates	2.56%	3.57%	5.12%	6.84%
Heads of Household				
1998 - 2005 Income Range	$0-3,800	$3,800-24,000	$24,000-35,000	Over $35,000
2006 Income Range	$0-3,800	$3,800-25,000	$25,000-35,000	Over $35,000
2007 Income Range	$0-4,500	$4,500-28,000	$28,000-40,000	Over $40,000
1998 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2007 Rates	2.56%	3.57%	5.12%	6.84%
Married Filing Joint				
1998 - 2005 Income Range	$0-4,000	$4,000-30,000	$30,000-46,750	Over $46,750
2006 Income Range	$0-4,000	$4,000-31,000	$31,000-50,000	Over $50,000
2007 Income Range	$0-4,800	$4,800-35,000	$35,000-54,000	Over $54,000
1998 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2007 Rates	2.56%	3.57%	5.12%	6.84%
Married Filing Separate				
1998 - 2005 Income Range	$0-2,000	$2,000-15,000	$15,000-23,375	Over $23,375
2006 Income Range	$0-2,000	$2,000-15,500	$15,500-25,000	Over $25,000
2007 Income Range	$0-2,400	$2,400-17,500	$17,500-27,000	Over $27,000
1998 - 2002 Rates	2.51%	3.49%	5.01%	6.68%
2003 - 2007 Rates	2.56%	3.57%	5.12%	6.84%

SOURCE: Nebraska Department of Revenue

State of Nebraska

INDIVIDUAL INCOME TAX LIABILITY BY INCOME LEVEL

Tax Years 1997 and 2006

1997

Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than $10,000	213,865	$5,009,740	74,538	0.55%
$10,000 -24,999	211,521	$51,696,591	192,704	5.63%
$25,000 - 49,999	215,342	$173,465,096	211,969	18.88%
$50,000 - 99,999	148,052	$313,574,446	146,720	34.13%
$100,000 and Over	41,308	$374,922,589	40,041	40.81%
State Total	830,088	$918,668,462	665,972	100.00%

2006

Federal Adjusted Gross Income Level	Number of Returns	Net Liability After Nonrefundable Credits	Number of Returns With Liability	Net Liability Percent
Less Than $10,000	155,741	$4,649,238	57,902	0.33%
$10,000 -24,999	196,975	$40,561,585	177,637	2.87%
$25,000 - 49,999	224,184	$180,707,651	216,416	12.78%
$50,000 - 99,999	210,080	$454,323,554	198,792	32.13%
$100,000 and Over	93,885	$733,978,782	79,537	51.90%
State Total	880,865	$1,414,220,810	730,284	100.00%

SOURCE: Department of Revenue Annual Reports

NOTE: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue. Calendar year 2006 is the most recent year for which data is available.

State of Nebraska

TAXABLE SALES BY INDUSTRY

Calendar Years 1998 and 2007

	1998	2007
Agriculture, Forestry, Fishing & Hunting	$88,418,301	$72,350,919
Mining	38,818,985	40,585,315
Utilities	1,129,562,551	1,922,409,502
Construction	258,790,194	775,524,026
Manufacturing	537,184,326	571,180,577
Wholesale Trade	1,026,915,216	1,441,429,593
Retail Trade	8,251,383,632	9,083,221,385
Transportation	104,565,293	88,225,107
Warehousing Services	639,897	30,265,335
Information	796,657,604	925,191,945
Finance & Insurance	55,734,639	42,748,400
Real Estate, Rental & Leasing Services (1)	13,178,264	268,525,309
Professional, Scientific & Technical Services (1)	357,798,155	305,303,482
Management of Companies & Enterprises Services (1)	1,359,194	5,221,920
Administration, Support, Waste Management, Remedial Services (1)	538,135,700	508,235,896
Educational Services (1)	33,477,243	67,411,731
Health Care & Social Assistance Services (1)	37,638,836	38,888,722
Arts, Entertainment & Recreation Services (1)	169,793,694	300,748,123
Accommodation & Food Services (1)	218,085,287	2,484,909,462
Other Services (1)	584,397,782	765,970,790
Public Administration	88,209,766	123,731,323
Unclassified	93,732,397	10,660,823
Nebraska Total	14,424,476,957	19,872,739,685
Non-Nebraska (2)	2,163,850,767	3,462,215,316
Nebraska - Total Sales	$16,588,327,724	$23,334,955,001
Direct sales tax rate	4.5%	5.5%

SOURCE: Nebraska Department of Revenue - Annual Report
Sales Tax Statistics by Nebraska Business Classification

NOTES: (1) Services were listed with different titles in 1998 and designated appropriately for titles listed for this document.
(2) Sales made by non-Nebraska vendors, goods delivered to Nebraska, sales tax remitted to Nebraska.

State of Nebraska

RATIOS OF OUTSTANDING DEBT

2002 – 2008

(Dollars in thousands)

	2002	2003	2004	2005	2006	2007	2008
Governmental Activities							
Lease rental bonds (blended component units)	$ 33,210	$ 30,960	$ 27,265	$ 23,430	$ 19,435	$ 15,240	$ 10,835
Captial leases under certificates of participation	31,885	29,836	27,235	24,927	22,965	22,072	$ 24,724
Obligations under other financing arrangements	7,185	10,555	11,230	11,430	16,185	13,805	$ 14,785
Total Primary Government	$ 72,280	$ 71,351	$ 65,730	$ 59,787	$ 58,585	$ 51,117	$ 50,344
Debt as a Percentage of Personal Income	0.14%	0.13%	0.12%	0.10%	0.10%	0.08%	0.08% *
Amount of Debt per Capita	$ 42	$ 41	$ 38	$ 34	$ 33	$ 29	$ 28

NOTE: Details regarding Bonds Payable, Lease Commitments and Obligations Under Other Financing Arrangements can be found in Notes 7, 8 & 9 of the financial statements.
Population figures from the Population, Personal and Per Capita Income schedule on page 121.
* 2008 figures were computed using 2007 census information as 2008 census data is not available.

State of Nebraska

COMPARATIVE UNEMPLOYMENT NEBRASKA AND UNITED STATES

1998 – 2007

YEAR	NEBRASKA TOTAL LABOR FORCE	NEBRASKA TOTAL EMPLOYMENT	NEBRASKA UNEMPLOYMENT	NEBRASKA UNEMPLOYMENT AS PERCENT OF LABOR FORCE	UNITED STATES UNEMPLOYMENT AS PERCENT OF LABOR FORCE
1998	916,440	891,709	24,731	2.7	4.5
1999	911,831	885,755	26,076	2.9	4.2
2000	924,298	896,761	27,537	3.0	4.0
2001	928,297	899,429	28,868	3.1	4.7
2002	954,013	920,662	33,351	3.5	5.8
2003	976,034	936,664	39,370	4.0	6.0
2004	985,340	947,882	37,458	3.8	5.5
2005	986,296	949,070	37,226	3.8	5.1
2006	974,476	945,270	29,206	3.0	4.6
2007	983,438	953,769	29,669	3.0	4.6

SOURCE: Nebraska Statistics – Nebraska Department of Labor, Labor Market Information
United States Unemployment – U.S. Department of Labor, Bureau of Labor Statistics

State of Nebraska

POPULATION, PERSONAL AND PER CAPITA INCOME NEBRASKA AND UNITED STATES

Calendar Years 1998 – 2007

	NEBRASKA			UNITED STATES		
YEAR	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME	POPULATION	PERSONAL INCOME (IN MILLIONS)	PER CAPITA INCOME
1998	1,695,816	43,314	25,542	275,854,104	7,415,709	26,883
1999	1,704,764	45,116	26,465	279,040,168	7,796,139	27,939
2000	1,713,261	47,329	27,624	282,193,477	8,422,074	29,845
2001	1,718,965	49,303	28,694	285,107,923	8,716,992	30,574
2002	1,726,753	50,390	29,203	287,984,799	8,872,521	30,821
2003	1,738,013	53,388	30,778	290,850,005	9,150,108	31,504
2004	1,747,704	55,858	31,781	293,656,842	9,717,173	33,123
2005	1,758,787	58,019	32,802	296,410,404	10,224,761	34,650
2006	1,768,331	60,826	33,947	299,398,484	10,860,917	36,744
2007	1,774,571	64,220	36,189	301,621,157	11,631,571	38,564

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

State of Nebraska

TEN LARGEST EMPLOYERS

2005 and 1995

	December 2005			December 1995		
	Total Employment		949,070	Total Employment		874,357
NAME OF COMPANY	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT	RANK	NUMBER OF EMPLOYEES	% OF TOTAL EMPLOYMENT
State of Nebraska (excluding University)	1	18,653	1.965	1	17,700	2.024
US Government (excluding Department of Defense)	2	15,403	1.623	2	16,000	1.830
Offutt Air Force Base	3	11,137	1.173	4	11,000	1.258
Tyson Foods, Inc. (1995-IBP)	4	11,000	1.159	5	9,400	1.075
University of Nebraska *	5	10,547	1.111	3	14,900	1.704
Walmart	6	9,755	1.028	12	4,800	0.549
Omaha Public Schools	7	8,073	0.851	6	8,600	0.984
Union Pacific Corporation	8	7,200	0.759	8	6,300	0.721
Alegent Health **	9	6,675	0.703	11	5,100	0.583
First Data Corp.	10	6,300	0.664	7	8,000	0.915
Mutual of Omaha Ins. Co.				9	6,000	0.686
ConAgra				10	5,900	0.675

SOURCE: 2005 -Nebraska Databook published by the Department of Economic Development, Research Division
1995- Nebraska Blue Book 1996-97

NOTES:

* University of Nebraska - Medical Center, University of Nebraska - Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney

** Alegent was formed from the 1995 employers Bergan Mercy Hospital and Immanual Medical Center

Calendar year 2005 is the most recent year for which data is available.

State of Nebraska

PUBLIC AND STATE OPERATED SCHOOL ENROLLMENT PREKINDERGARTEN – GRADE 12

1998/99 – 2007/08

ACADEMIC YEAR	PRE KDG. AND KDG.	GRADES 1 – 3	GRADES 4 – 6	GRADES 7 – 9	GRADES 10 – 12	TOTAL ALL GRADES
1998 – 1999	25,740	64,664	64,256	69,991	66,485	291,136
1999 – 2000	25,219	63,118	64,409	69,099	66,386	288,231
2000 – 2001	25,216	60,896	64,942	67,392	66,576	285,022
2001 – 2002	25,931	60,645	64,003	68,566	66,251	285,396
2002 – 2003	25,931	60,645	64,003	68,546	66,257	285,382
2003 – 2004	26,639	60,673	63,120	69,359	65,751	285,542
2004 – 2005	26,848	61,011	62,210	69,253	65,237	284,559
2005 – 2006	28,028	61,593	61,478	68,325	66,124	285,548
2006 – 2007	29,013	62,781	61,358	67,008	66,975	287,135
2007 – 2008	32,666	63,964	61,471	65,729	67,281	291,111

SOURCE: Statistics and Facts About Nebraska Schools, Nebraska Department of Education.

State of Nebraska

PUBLIC HIGHER EDUCATION INSTITUTIONS TOTAL FALL HEADCOUNT ENROLLMENT

1998 – 2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
COLLEGES AND UNIVERSITIES:										
Chadron State College	2,809	2,768	2,686	2,804	2,712	2,667	2,569	2,472	2,577	2,660
Peru State College	1,695	1,664	1,698	1,629	1,687	1,618	1,683	1,959	2,124	2,307
Wayne State College	3,835	3,601	3,518	3,311	3,220	3,305	3,398	3,322	3,407	3,527
University of Nebraska										
Lincoln (1)	22,669	22,394	22,502	22,998	23,241	22,734	22,012	21,937	22,378	22,877
Omaha	13,274	13,264	13,479	14,143	14,451	13,931	13,824	14,093	13,906	14,156
Kearney	6,849	6,780	6,506	6,426	6,395	6,311	6,382	6,445	6,468	6,478
Medical Center	2,599	2,590	2,696	2,724	2,819	2,865	2,904	2,995	3,067	2,206
TOTAL COLLEGES AND UNIVERSITIES	53,730	53,061	53,085	54,035	54,525	53,431	52,772	53,223	53,927	54,211
COMMUNITY COLLEGES										
Central CC (2)	7,474	7,095	7,126	6,399	6,417	6,364	6,524	6,564	6,543	6,531
Metropolitan CC	11,583	11,658	11,534	11,704	12,253	12,177	12,961	13,237	14,098	14,804
Mid-Plains CC	2,487	2,518	2,607	2,816	3,020	3,001	2,957	2,607	3,030	2,715
Northeast CC	4,754	4,671	4,520	4,600	4,832	4,805	5,053	5,101	5,261	5,149
Southeast CC	7,122	7,351	7,396	7,935	8,912	8,451	10,079	10,059	9,594	9,603
Western CC	1,704	1,836	2,264	2,150	2,152	2,420	2,659	2,283	1,918	2,233
TOTAL COMMUNITY COLLEGES	35,124	35,129	35,447	35,604	37,586	37,218	40,233	39,851	40,444	41,035
TOTAL ALL INSTITUTIONS	88,854	88,190	88,532	89,639	92,111	90,649	93,005	93,074	94,371	95,246

NOTE: (1) University of Nebraska-Lincoln count includes NCTA-Curtis for all years.
(2) Central CC reporting under continuous enrollment practice abandoned in 1996. Enrollment numbers have been retroactively changed to the reporting practice consistent with that of the other Community Colleges.

SOURCE: Nebraska Coordinating Commission for Postsecondary Education

State of Nebraska

FULL TIME EQUIVALENT PERMANENT EMPLOYEES BY FUNCTION

1998 – 2007

FUNCTION	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Conservation	310	305	340	307	305	308	316	313	313	318
Regulation	359	359	358	348	351	345	355	358	372	364
Economic Development	570	571	529	525	537	528	542	526	532	525
Culture and Recrecation	539	548	560	565	584	580	569	579	579	564
Education	595	568	572	591	575	578	587	597	601	590
Transportation	2,312	2,297	2,256	2,239	2,201	2,182	2,193	2,175	2,163	2,137
General Government	2,646	2,715	2,783	2,891	2,853	2,612	2,687	2,718	2,769	2,756
Public Safety	2,700	2,716	2,765	2,939	3,199	3,285	3,260	3,303	3,349	3,380
Health & Social Services	5,877	5,918	5,907	5,898	5,834	6,076	6,056	6,115	6,044	5,799
	15,907	15,995	16,069	16,303	16,438	16,493	16,565	16,683	16,721	16,434

SOURCE: Nebraska State Government - State Personnel Division - 2008 Almanac

State of Nebraska

OPERATING INDICATORS BY FUNCTION

2002-2008

	2002	2003	2004	2005	2006	2007	2008
General Government							
Department of Revenue							
Percentage of returns filed electronically	N/A	N/A	N/A	53.6%	57.6%	62.5%	66.0%
Percentage of direct deposit refunds	N/A	N/A	N/A	39.7%	43.9%	54.5%	75.0%
Department of Roads							
Percentage of Roads in very good or good condition (1	81%	84%	85%	85%	80%	79%	N/A
Conservation of Natural Resources							
Department of Environmental Quality							
Inspections by field office staff							
Air Quality	N/A	N/A	N/A	N/A	82	364	N/A
Water Quality	N/A	N/A	N/A	N/A	543	999	N/A
Waste Management	N/A	N/A	N/A	N/A	110	179	N/A
Culture - Recreation							
Game and Parks Commission							
Park visitors (1,2)	9,725,928	9,885,628	10,085,789	10,293,381	9,997,632	10,193,030	N/A
Hatchery fish raised (in millions) (1)	4.8	5.2	14.2	6.8	15.6	25.6	N/A
Education							
Department of Education							
Fall Enrollment							
Pre-K to 12th grade	285,382	285,542	284,559	285,548	287,135	291,111	N/A
State Colleges and Universities (3)	54,525	53,431	52,772	53,223	53,927	54,211	56,446
Public Community Colleges (3)	37,586	37,218	40,233	39,851	40,444	41,035	43,330
Health and Social Services							
Health and Human Services							
Child Support Payments							
Number of Payments Received	N/A	N/A	1,266,853	1,316,154	1,344,778	1,383,619	1,444,202
Number of Payments Disbursed	N/A	N/A	1,111,672	1,127,651	1,153,771	1,202,635	1,156,102
Medicaid (average monthly)							
Medicaid recipients	203,760	201,534	197,152	198,757	200,670	201,009	203,513
Percentage of Nebraska population	11.8%	11.6%	11.3%	11.4%	11.3%	11.3%	N/A
Food Stamps (average monthly)							
Number of households	37,132	41,620	47,292	49,726	51,146	51,915	52,162
Percentage of Nebraska households	5.5%	6.2%	6.9%	7.1%	7.3%	7.3%	N/A
Public Safety							
Department of Correctional Services							
Inmate population (average monthly) (1)	4,446	4,871	4,938	5,010	5,145	5,222	N/A
Percentage of Nebraska population	0.26%	0.28%	0.28%	0.29%	0.29%	0.29%	N/A
Total Admissions (1)	2,505	2,753	2,662	2,924	3,039	2,902	N/A
Total Releases (1)	2,365	2,643	2,902	2,800	2,969	3,092	N/A
State Patrol							
Miles Patrolled (1)	10,399,781	10,198,444	10,395,505	10,087,966	10,130,500	10,348,580	N/A
Accidents Investigated (1)	2,736	2,557	2,228	2,960	2,315	2,392	N/A
Transportation							
Department of Motor Vehicles							
Motor Vehicle Registrations (1)							
Automobiles	1,076,415	1,081,868	1,088,620	1,106,684	1,112,320	1,122,877	N/A
Trucks							
Farm	148,456	147,571	148,278	148,625	147,509	157,282	N/A
Commercial / Other	372,929	378,615	383,024	389,947	392,589	388,098	N/A
Motorcycles	26,931	29,794	32,916	36,622	40,065	43,387	N/A

NOTES: (1) Data is provided on a calendar basis.
(2) Park visitation is counted in daily visits.
N/A - Not Available

SOURCE: State Agencies: Department of Revenue, Department of Roads, Department of Environmental Quality, Game and Parks Commission, Department of Education, Health and Human Services, Department of Correctional Services, Nebraska State Patrol, Department of Motor Vehicles

(3) National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS)
The 2008 numbers have not been certified.

State of Nebraska

CAPITAL ASSET STATISTICS BY FUNCTION

2002 – 2008

	2002	2003	2004	2005	2006	2007	2008
General Government							
Department of Administrative Services							
Buildings	285	285	285	285	285	283	291
Vehicles	1,083	1,264	1,182	1,006	1,034	1,371	1,093
Conservation of Natural Resources							
Game and Parks Commission							
Acres of state park and wildlife land (in thousands)	138	140	143	146	148	149	157
Culture - Recreation							
Game and Parks Commission							
State Parks	8	8	8	8	8	8	8
Historical Parks	10	10	10	10	10	10	10
Recreation and wildlife areas	320	320	320	322	322	322	325
Fish hatcheries	5	5	5	5	5	5	5
Education							
NETV Commission							
Towers, antennas and transmitters	42	60	60	60	56	60	60
Public Safety							
State Patrol							
Pursuit Vehicles	414	429	479	442	364	351	474
Department of Corrections							
Buildings	112	126	126	124	129	126	143
Transportation							
Department of Roads							
Highway miles (calendar year)	9,969	9,959	9,959	9,953	9,950	9,949	N/A
Heavy trucks, plows and graders	1,072	1,087	1,085	1,083	1,068	1,072	1,053

NOTE: Other agencies including those in the Economic Development, Health and Social Services and Regulation functional areas are not capital asset intensive.

SOURCE: State Agencies: Department of Administrative Services, Game and Parks Commission, NETV Commission, Nebraska State Patrol, Department of Correctional Services, and Department of Roads

State of Nebraska

MISCELLANEOUS DATA

June 30, 2008

Date Entered Union	March 1, 1867 (37th State)
Form of Government	Legislative – Executive – Judicial
Land Area	77,358 square miles (16th largest in U.S.)
Elevation	840 to 5,424 feet above sea level
Capital	Lincoln
Largest City	Omaha
Origin of Name	From Oto Indian word "Nebrathka" meaning "flat water"
Nickname	Cornhusker State (from method of harvesting or "husking" corn by hand)

SOURCE: Nebraska Blue Book, 2004-2005.

Acknowledgments

The State Accounting Division of Administrative Services prepared the Comprehensive Annual Financial Report. The following State Accounting Division staff were key members in the preparation of the report:

Bruce Snyder, CPA, CGFM
Amy Wilson, CPA
Ruilin Cheng
Wei Zhao
Julie Heyen
Connie Broe
Miles Hunke, student intern

Special acknowledgment goes to:

All fiscal and accounting staff throughout the State whose cooperation and efforts contributed to the compilation of the financial information.

Administrative Services, Materiel Division staff who contributed to the report's production and assembly.

Report produced by:

State Accounting Division
Suite 1309, State Capitol
Lincoln, NE 68509-4664

Report located on our website: www.das.state.ne.us/accounting/